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Doing the Right Thing:

Ethics in the Workplace

Robert W. Bly

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Ethics in the Workplace

By Robert W. Bly

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Doing the Right Thing: Ethics in the Workplace

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Introduction

"I would prefer even to fail with honor than to win by cheating."
—Sophocles

"Give to every human being every right that you claim for yourself."
—Robert Ingersoll

"No man is justified in doing evil on the grounds of expedience."
—Theodore Roosevelt

"Trust yourself. You know more than you think you do."
—Dr. Benjamin Spock in *Baby and Child Care*

Why behave ethically in business? There are several reasons.

First, if you've ever been treated unethically, you know it was an unpleasant experience. People give as good as they get. Therefore, if you want people to behave ethically when dealing with you, you should behave ethically when dealing with them.

Second, your organization's reputation is one of its most important assets. Good business ethics maintain your reputation and enhance this asset. People who trust you are more likely to do business with you. Unethical behavior, on the other hand, can result in ill will and negative publicity that mar your organization's reputation. This can cost you customers, sales, and revenues, and make it more difficult to acquire the products and services you need from good vendors at favorable prices and terms.

Another reason to adhere to ethical business practices is to do so simply because it's *right*. For many of us, doing the right thing is important to our fundamental makeup as human beings, and so we strive to do right—although there may be many occasions when we are tempted to stray. Scientist Charles Darwin said, "The moral sense of conscience is the most noble of all the attributes of man."

If you don't feel a compulsion or obligation to do right, the other two factors—encouraging decent treatment from others and protecting your organization's reputation and good name—will have to provide sufficient motivation for you to adhere to ethical business practices.

And the fact is, many workers these days feel tempted to do things that border on the illegal or the unethical:

- In a recent poll by the American Society of Chartered Life Underwriters and Chartered Financial Consultants, 57 percent of workers surveyed felt more pressured now than five years ago to consider acting unethically or illegally on the job. Forty percent said that pressure has increased over the last 12 months.

- According to a 1997 study sponsored by the Ethics Officer Association, 48 percent of employees admitted to illegal or unethical actions in 1996. In 1997, half of U.S. workers surveyed by the Ethics Officer Association said they used technology unethically on the job during the year, including copying company software for home use and wrongly blaming a personal error on a technology glitch.

- In a 1997 survey of top executives reported in *Worth* magazine (March 1998), honesty and integrity were found to be the most important qualities interviewers look for in prospective employees.

- "Integrity is an inner standard for judging your behavior," says author Denis Waitley. "Unfortunately, integrity is in short supply."

In response, more and more organizations are training employees in ethics and establishing ethical guidelines for employees to follow. Lockheed Martin even has a toll-free "ethics hotline" its employees and suppliers can call to get advice on business ethics issues.

Colleges and universities have also seen the need for ethics training. There are more than 500 ethics courses offered at American business schools.

How to Use This Book

This book shows you the principles of business ethics as they apply to a variety of situations when dealing with bosses, subordinates, coworkers, colleagues, customers, prospects, and vendors. It also presents guidelines to help you apply these principles in assessing your course of action under specific circumstances. Exercises help you practice applying the principles to determine what actions to take. The goal is to make it easier for you to find that dividing line between right and wrong, and wind up on the proper side.

While the book can help give you more confidence and skill in making ethical decisions in business, it *can't* make those decisions for you. In some cases, the ethical choices will be clear to you. In other cases, you'll have a hard time finding your path and will not be certain of your choice when you've made it. Life is like that. So is business.

Maintaining ethical behavior throughout your career is like taking a never-ending journey down a virtually endless highway. We can't take all the curves out of the road for you, but we can help make the trip smoother. The rest is up to you.

About the Author

Robert W. Bly is the director of the Center for Technical Communication, a consulting firm that helps businesspeople improve their communication and interpersonal skills. CTC presents training seminars to associations and corporate clients nationwide on selling, direct marketing, business and technical writing, interpersonal skills, and related business communications topics.

Bob Bly is the author of more than 45 books, including *The Elements of Business Writing* (Macmillan), *The Copywriter's Handbook* (Henry Holt), and *Selling Your Services* (Henry Holt). His articles have appeared in such publications as *Computer Decisions, Writer's Digest, Business Marketing, Direct, Amtrak Express, Cosmopolitan, Science Books & Films, Chemical Engineering,* and *New Jersey Monthly.*

Acknowledgments

Thanks to Max Gage and Karen Massetti Miller, my editors at AMI Publishing, for helping to shape this book and make it better and more useful at every step. And to everyone in my life who helped me learn the difference between right and wrong.

Dedication

To the memory of my father, Dave Bly—the most ethical man I ever knew

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Chapter *One*

Defining Ethics in the Workplace

Chapter Objectives

- Establish a framework for ethical business behavior.
- Understand the reasons why businesspeople should behave ethically.
- Develop guidelines for applying the principles of business ethics to specific situations.

The field of ethics is both a soft skill and an inexact science. By soft skill, we mean it's a skill the average manager can master; you don't need to be trained or certified in ethics to practice ethical behavior. By an inexact science, we mean there isn't always a single "right answer" to every ethical question.

The dividing line between right and wrong is often fuzzy.

Yes, of course there are right and wrong. But the dividing line between them is often fuzzy. Consider the following two scenarios:

1. Ron is the new advertising manager for his company. A salesperson from an industry trade journal calls on Ron, trying to get him to buy ad space in the magazine. When Ron hesitates, the salesperson winks slyly and says, "I can take care of you." When Ron asks what he means, the salesperson says he can give to Ron "under the table" a percentage of his sales commission for every ad placed. "Everyone does it," he assures Ron. "Why cheat yourself?"

2. Ron is the new advertising manager for his company. A salesperson from an industry trade journal calls on Ron, trying to get him to buy ad space in the magazine. When Ron hesitates, the salesperson winks slyly and says, "Give me copies of every press release you've got." Ron is puzzled at the request but hands over a copy of his firm's press kit.

> The next month, when Ron gets the magazine in his mail, he is shocked to see that virtually every press release has been picked up and printed as an article throughout the issue. Then the phone rings. It's the space salesperson from the magazine. "Do you like all the free publicity I gave your company in our publication?" the salesperson asks Ron. "Now how many ads should I put you down for?"

What's the right response for Ron in each situation?

Most people agree that in the first situation, Ron would be wrong to take a bribe under the table in exchange for placing his company's advertising in a particular magazine. But *why* shouldn't Ron do it?

- Is it because the magazine may not be the best publication and, therefore, the firm's advertising dollars would not be efficiently spent?

- Is it because Ron could get caught—and if he gets caught, he could get fired? Certainly, taking bribes from vendors for favoring them with the company's business is not part of Ron's job description.

- Or is it because if the situation were reversed—if Ron owned the company or ran the department, and his employee had an opportunity to accept a bribe to give a vendor business—he would not want the employee to do so?

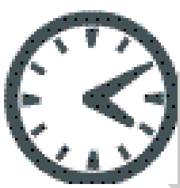
People are less certain about the second situation. The tradition in journalism is that "editorial" (the content of a periodical's articles) is separate and not influenced by "advertising" (the paid promotional messages of advertisers and the marketing goals and corporate images of those advertisers).

But Ron is an advertising manager, not a journalist. It's his job to promote his company. If a magazine is willing to publicize his company's products in exchange for paid advertising, or even to entice Ron to advertise, why shouldn't he take advantage of this promotional opportunity? After all, he didn't coerce the salesperson into placing his press releases—the magazine approached Ron and did it willingly and eagerly.

Besides, the separation of editorial and advertising may not be as strong as it was a decade or two ago. Things change. Today, the media use their image as an objective news source to help advertisers get the most results from their advertising dollars. An example of this is the increasing number of "advertorials"—special supplements that look like editorial but are in fact paid advertising. Chamber of Commerce magazines regularly run feature articles on paid members while ignoring other equally newsworthy local businesses. Is the growing trend to blur the lines between journalism and advertising ethical? Aren't Ron and the magazine salesperson just keeping in step with the times?

Ethical considerations enter into a wide range of business situations today.

Ethical considerations enter into a wide range of business situations today, from whether to tell a long-time business customer that you are now beginning to sell to its major competitor to how to interpret the results of product safety tests in marketing brochures and sales presentations. Businesspeople need guidelines on how to determine what is ethical. They also need the skills to apply those guidelines to determine the proper course of action in specific situations. (Another question we will address is whether the most ethical course of action is the one that should always be taken.)



Take a Moment

Everyone knows what ethics are. But can you put it into words? Write your definition of "ethics" here:

____

____

____

What Are Ethics?

Ethics are the rules or standards for moral behavior. *Moral* means that society as a whole finds the behaviors acceptable, permissible, and even desirable. *Ethical behavior,* then, is living and acting in conformity with morality.

Two fundamental principles of ethics that are especially helpful to businesspeople are:

- The Principle of Reciprocity.
- The Principle of Permission.

We'll examine each in this chapter.

Philosophers studying ethics give the subject a much more complex treatment. But we are after guidelines that are correct, practical, easy to understand, and simple to apply. By following these two principles, you can accurately assess whether your behavior is ethical and what actions you should take in any given situation.

The Principle of Reciprocity (The Golden Rule)

The *Principle of Reciprocity,* taught to us in grade school as the *Golden Rule,* is *Do unto others as you would have others do unto you.* This means if you're trying to determine whether a behavior is ethical, ask yourself how you would feel if it were done to you. If you wouldn't like it done to you, then don't do it to others.

The Principle of Reciprocity was taught to us in grade school as the Golden Rule.

Many people have given their own interpretation of the Golden Rule (see list on page 12). As writer Jerry Buchanan says, "The Golden Rule is perhaps the oldest ethical proposition of distinctly universal character." It's a principle that most people recognize as proper and fair.

The one problem with the Golden Rule is that it breaks down for the person who has low standards of human interaction. Let's say you expect people to cheat, rob, and insult you. Then according to the Golden Rule, it's *okay* to cheat, rob, and insult others since you would be doing unto them as you would have them do unto you. Yet they wouldn't like it, would they? "Do *not* do unto others as you would that they should do unto you," George Bernard Shaw advised. "Their tastes may not be the same."

The Golden Rule Throughout History

"What you don't want done to yourself, don't do to others."
—Confucianism, 6th century B.C.

"Hurt not others with that which pains thyself."
—Buddhism, 5th century B.C.

"In happiness and suffering, in joy and grief, we should regard all creatures as we regard our own self, and should therefore refrain from inflicting upon others such injury as would appear undesirable to us if inflicted upon ourselves."
—Jainism, 5th century B.C.

"Do not do unto others all that which is not well for oneself."
—Zoroastrianism, 5th century B.C.

"May I do to others as I would that they should do unto me."
—Plato, 4th century B.C.

"Do naught to others which if done to thee would cause thee pain."
—Mahabharata, 3rd century B.C.

"What is hateful to yourself, don't do to your fellow man."
—Rabbi Hillel, 1st century B.C.

"Treat others as thou wouldst be treated thyself."
—Sikkhism, 16th century A.D.

"It is all right to assert our own identity and to express our own needs as long as this is not done at another's expense."
—Rev. William Raboir, 20th century A.D.

—*The Better Life* Journal, Issue 13

Dr. Rob Gilbert, editor of the business magazine *Bits & Pieces*, says: "Instead of 'Do unto others as you would have others do unto you,' the rule we should all practice is 'Do unto others as others would have you do unto them.' "

This solves the problem for people with low standards: Even if you say you'd allow something negative to be done to you, Gilbert's interpretation says that if the other person wouldn't want it, you shouldn't do it.

The Principle of Permission

Another problem with the Golden Rule is interpretation in the real world. When planning our own actions, can we really assess accurately what we would be willing to have others do unto us? Or do we give ourselves the wrong answer to rationalize and justify an action that may profit us but be harmful to others?

Say we accept Dr. Gilbert's principle of doing unto others what they would have you do unto them. How do you really know what others want and don't want done to them?

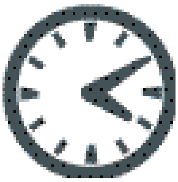
In many instances, the *Principle of Permission* can be used to ensure proper application of the Golden Rule. The Principle of Permission says: *When you're not sure how others want to be treated, ask them, and let their answer guide your actions.*

The Principle of Permission says when you're not sure how others want to be treated, ask them, and let their answers guide you.

Some examples of permission dialogue:

- *To a long-time customer:* "We've been asked by XYZ Company [the customer's competitor in some markets] to quote on supplying them. Is there any reason why you wouldn't want me to sell our widgets to them?"

- *To your boss:* "ABC Company [one of your company's vendors] has asked me to do some Web-site design for them on a consulting basis. Do you see any conflict in my moonlighting for them, given we are their customer?"



Take a Moment

Are there some situations where ethical conflicts you have could be resolved simply by asking permission from the other party involved? Write down these situations in the left-hand column below. In the middle column, phrase an appropriate permission-seeking question to ask them. Then ask the question and record the result in the right-hand column. How well does asking permission work for you?

Situation	**Permission-Seeking Question**	**Result**

Applying the Golden Rule in the Business World

In the business world, people deal with people, and organizations deal with organizations. The Golden Rule certainly applies to businesspeople dealing with businesspeople. Don't do anything to your employer, boss, staff, customer, or vendor you wouldn't want done to yourself.

At the organizational level, it's a little different. You may not want your firm to be bought out by a competitor. But companies acquire other companies all the time. Isn't it reasonable for your boss to ask you to participate in the takeover of another firm if that's the course your company decides on?

Nobel laureate economist Milton Friedman resolves the conflict this way:

- In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is

> to conduct the business in accordance with their desires, which generally will be to make as much money as possible *while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.* [italics added] (Taken from *Defining Moments: When Managers Must Choose Between Right and Wrong*)

Friedman's statement defines a hierarchy to whom you, as a corporate employee, are responsible. At the top of Friedman's hierarchy is "society." He says that what you do in business must be acceptable to society. That's why it's not okay to run a sweatshop, even though doing so reduces your labor costs. The rules of society do not permit exploitation of children, minorities, or the disadvantaged.

What you do in business must be acceptable to society.

The second level of Friedman's hierarchy is the corporation. As long as you are taking their money, you have to put their needs before your own. But even though you are taking their money, you can't put the corporate needs above those of society.

The third level of the hierarchy is the individual worker. Your work efforts are intended primarily to benefit the corporation that pays you; your primary benefit is the pay itself. It's natural to seek fulfillment, comfort, ease, and pleasure in your work, but unethical—as long as you're cashing a paycheck—to put these *ahead* of the objectives your employer is paying you to achieve. (If you don't agree with those objectives, remember that no one is forcing you to accept the job.)

Applying the Principle of Permission in the Business World

When you ask someone's permission to do something, you naturally may prefer one answer to another. Is there anything wrong with slanting your question to get the answer you want? No—it's called *persuasion.*

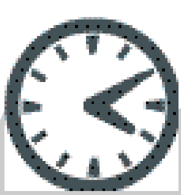
Persuasive communication is an accepted tactic of the modern business world. As long as the other person understands you completely and answers based on that full understanding, you can ethically act on that answer. When you phrase your question so it's unclear, or you deliberately withhold information or lie, that's *deception*, and it's not ethical.

For example, suppose a supplier wants to give you two tickets to a concert. You want to accept, but you feel you have to clear it with your boss first. You could say: "Mr. Jones (the client) would be insulted if I didn't attend." If that's true, it's a good reason for your boss to let you go. If it's not true, it's deception.

Or, you could say: "Our widget supplier wants to give me two tickets to a concert. Can I accept them?" This neutrally invites a yes or no answer. It is honest and ethical—but not crafted to increase the odds of getting the answer you want. The danger of asking a yes/no question, of course, is that it's just as easy for the other person to say no as to say yes.

The *persuasive*—and ethical—alternative is to say: "Our widget supplier wants to give me two tickets to a concert. Is there any reason you can think of why I can't accept them or shouldn't take them?" Here, the boss has to think of a specific reason. If nothing comes immediately to mind after thinking about it for a few seconds, she's likely to say, "No, it's okay, go ahead and enjoy them." Your phrasing of the question slants the odds of a desirable answer in your favor.

Although asking permission can be a powerful tool for quickly resolving ethical conflicts and ensuring appropriate behavior and actions, there are times when asking permission is not the wisest course. For example, if the boss mentions at meetings that anyone who doesn't give 100 percent to the job is a slacker, do you really want to alert him that you're even considering taking on a moonlighting project or second job?



Take a Moment

Can you think of some other situations where it might be wise not to "tip your hand" by bringing up the subject in the first place? Why would you hesitate to ask permission in these circumstances? Is it ethical for you not to do so?

Can Different People Have Different Sets of Business Ethics?

Ethics are not black and white: there are many shades of gray. Essentially decent people may interpret the same ethical situation very differently.

Yes, there is right and there is wrong. But some wrongs are more wrong than others. For instance, stealing from your company is wrong. But taking a pad of paper home from the supply cabinet is not as wrong as stealing $100,000 from the pension fund.

Even the Golden Rule has subjectivity built into it. We say, "Do unto others as you would have others do unto you." Obviously, you shouldn't cheat your sales reps by not correcting a bookkeeping error that shortchanges them on their commissions—no one wants to be stolen from. But is it all right to discuss coworkers behind their backs with other staff members when these problem employees are not around? Different people would give different answers.

The fact is, some things are so blatantly immoral that there is no question about their being unethical. These include:

- Stealing pension money from the elderly.
- Not delivering products people have paid for.
- Refusing to service products under warranty.
- Refusing to accept return of defective merchandise within a reasonable period of time.
- Selling products you know do not meet safety standards.
- Taking advantage of children.
- Stealing money from the cash register by not recording sales correctly and then putting the difference in your pocket.

Some things are so blatantly immoral that there is no question about their being unethical. Other acts are not as clear-cut.

These are not only unethical but also illegal.

Other acts are not as clear-cut. A salesperson, for example, tells a customer to buy now because "we are almost out of stock."

There aren't many units left at the dealership, so in fact the seller is technically "almost out of stock." What he *doesn't* tell the customer is that the warehouse is packed with units and is only a couple of miles away—he can get all the stock he'll ever need delivered in less than half an hour. Do you feel the salesperson is behaving ethically, acting unethically, or merely "bending the truth" with an acceptable "white lie"?

This is a difficult call. The sales manager might argue, "What's the harm? Yes, we used a high-pressure tactic to close the sale, but that's part of the selling process. We know our product is the best, so our customer comes out ahead by buying from us instead of the competition. But to give her the benefits of our product, we first have to sell it to her. The salesperson did nothing wrong. And he wasn't lying—the dealership location had almost no stock left. It's not the customer's business where our warehouse is located or how fast it ships. If we don't sell as hard as our competitors, we'll lose business to them."

A consumer advocate might reply, "The salesperson's behavior was wrong. The reason he used to pressure the customer to buy immediately was the implication that product was out of stock and therefore not available. But this wasn't the case; there was plenty of product available. He pushed the customer into a decision based on deception."

Case Study

Case Studies: Is It Ethical?

Would you describe the following situations as ethical or unethical?

The Metals Broker

A metals broker advertised that 95 percent of his orders were shipped "from stock." Yet he worked out of a small office with no warehouse. When asked about this in a private interview, he replied, "It's true we ship all our orders from stock—only it's the stocks of the various metal dealers for whom we serve as a broker."

Is the metals broker unethical? He never said specifically that 95 percent of orders were shipped from *his stock*, but isn't that what he intended the customers to think? The claim is misleading at best—and a lie at worst.

The metals broker could resolve his ethical dilemma by rephrasing the shipping claim so it attracts customers while sticking to the truth. For example, he could advertise “95 percent of orders shipped direct *from their source* within 24 hours.”

Hummingbird Nectar

A manufacturer sold “hummingbird food” for people who wanted to see hummingbirds in their yards. A small container retailed for about $6.95. The “food” turned out to contain just one ingredient—sucrose, which is ordinary table sugar. To make the hummingbird food or “nectar,” you just mix the sugar into water.

Is selling a few ounces of hummingbird food for $6.95 unethical? After all, you can buy a five-pound bag of the same stuff—labeled as sugar—in your local supermarket for less. On the other hand, the hummingbird food label accurately lists “sucrose” as the only ingredient. So the buyer sees what she gets before she buys and can always make a decision not to purchase the product. Does that make it ethical?

One marketer looking at this situation saw it this way: “The hummingbird food company is selling the idea of attracting hummingbirds to the backyard plus the knowledge that sugar water will do the trick. The consumer is paying for the idea and information, and it’s an ethical—albeit somewhat high—price. A money-back guarantee would fully eliminate any ethical conflict here.”

Must Businesses and Their Employees Be Ethical to Succeed?

No. Many unethical people succeed, even if temporarily, and many unethical and borderline businesses make a healthy profit. Since these businesspeople operate and seem on the surface to live relatively normal, happy lives, we must conclude that behaving ethically isn’t mandatory to survive and thrive in business. The question then becomes, “Why should business people behave ethically at all, if they don’t have to? What’s in it for me?”

Take a Moment

What benefits could behaving ethically have for businesspeople? Write your answers here:

1. ______________________________

2. ______________________________

3. ______________________________

4. ______________________________

5. ______________________________

Experience shows there are four key reasons why the majority of people behave ethically most of the time:

1. **It's right.**
   One reason to behave ethically in business is that, as actor Wilford Brimley said in the Quaker Oats commercials, "It's the right thing to do." People in many societies believe in doing right simply because it is right.

2. **It's good for business.**
   Ethical companies have an edge in gaining and maintaining a positive image in the marketplace and a good reputation with suppliers and vendors. A large number of customers prefer to do business with firms they perceive as ethical and to avoid companies that appear "sleazy" to them. If a company has a reputation for dealing unfairly, people won't want to buy, and vendors won't want to extend them credit or other favorable terms.

A large number of customers prefer to do business with firms they perceive as ethical.

   Worse, one person who feels cheated will tell many others, so the word against you will spread quickly. And losing customers is expensive. According to the American Productivity and Quality Center, losing a customer costs five times the annual value of the customer's account.

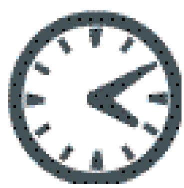
3. **Not behaving ethically invites dire consequences.**
   If your accounting department cheats vendors, don't you think some may want to get back at you in a number of ways—by padding invoices, double billing, or through other means that hurt you? When you mistreat people, you plant the idea that cheating is okay and perhaps they should cheat you—and you also give them motivation to do so.

   Being an ethical businessperson doesn't ensure that people won't take advantage of you. But it does improve the odds of being treated fairly. While some people will do bad things on their own, many others won't take action against you unless they feel you've taken unfair advantage of them.

4. **The business world depends on ethics for its very survival.**
   Normal operation of business depends on most of the people in most companies sticking to accepted standards of ethical, responsible behavior most of the time. You count on those you work with to live up to their commitments and keep their promises, and they expect the same of you. If people in business couldn't count on each other, the business world would soon become chaos.

Take a Moment

Think of a time when someone took advantage of you. Did you want to get back at them? *Did* you? Did you feel justified in doing so? In the long run, did getting even help you, hurt you—or neither?



Who Defines the Standards for Ethical Behavior?

We've seen that ethical standards are set by society as a whole, not by individuals. Therefore, just because your boss or members of your work group say something is okay doesn't mean it is. You have to ask yourself, "Is this accepted as moral behavior in the society and culture in which I live and work?" If it isn't, it probably isn't ethical.

Are ethics absolute? Or do they change over time? Given that ethical judgments are (a) subjective and (b) the opinion of the majority of the society as a whole, it would seem the standards of ethics are not set and can change as social behavior and culture change.

Some acts are inherently wrong regardless of the culture or society.

But what if society seems to approve behavior that is immoral or evil? Aren't there any acts that are inherently wrong, regardless of the culture or society? Yes. These are the actions forbidden by the world's major religions: murder, kidnapping, theft, adultery, assault, vandalism, arson, oppression of the innocent, slander, and lying.

To evaluate whether an action is ethical, therefore, you must ask:

- **Would the recipient of my actions give me permission if I asked?**
  If not, why not? If you're hesitant even to ask, what's the cause of your hesitation?

- **Does it comply with the Golden Rule?**
  Would others want the action done to them? Would you want it done to you?

- **Is it legal?**
  If you're not sure, you can always research it or ask a lawyer. Remember: "Ignorance of the law is no excuse."

- **Is it accepted by society, our culture, and the business world?**
  In some cases, the answer is obvious. In others, you may have to do some research to determine normal practice.

- **Does it follow the fundamental principles of major religions?**
  Does it require you to kill, rob, cheat, or otherwise take advantage of innocents?

To test these criteria, let's evaluate a recent scandal—the use of sweatshop workers here and overseas to manufacture major consumer brand products sold in the United States.

- **Would the recipients of my actions give me permission if I asked?**
  Strange as it seems, these workers *have* given permission. No one sold them into slavery or held a gun to their heads. They volunteered to do the work at the low pay offered.

- **Does it comply with the Golden Rule?**
  Even though manufacturers are able to get people to work for paltry wages, this doesn't mean they should do so. From a pure profit perspective, it may make sense to get labor for as little as you can get away with paying for it. But if you were on the receiving end, you'd want a living wage in exchange for hard work. Sweatshops are not ethical. They violate the Golden Rule.

- **Is it legal?**
  No. In the U.S., sweatshops violate child labor and minimum wage laws.

- **Is it accepted by society, our culture, and the business world?**
  Sweatshops were perhaps accepted in Charles Dickens' time, when many children in his novels and in real life became laborers. In the U.S. today, it's considered wrong to exploit children. Not all cultures agree.

- **Does it follow the fundamental principles of organized religion?**
  No. Sweatshops are a form of cruelty and abuse and go against the spirit of kindness that's fundamental to most major religions.

Based on this series of questions, we can see that by U.S. cultural standards, sweatshops are unethical. Though U.S. firms may choose to use sweatshops to produce products, they run the risk of public condemnation and loss of business by doing so.

We've seen how ethical criteria can be used to help us evaluate one type of business situation. In the following chapters, we'll consider the ethical implications of a variety of other situations businesspeople can encounter.

Chapter Summary

Ethics are the rules or standards for moral behavior.

Ethics are the rules or standards for moral behavior. *Moral* means that society as a whole finds the behaviors acceptable, permissible, and even desirable. *Ethical behavior*, then, is living and acting in conformity with morality.

Many ethical questions do not have a single right answer. In such cases, businesspeople need principles and guidelines to help them determine what is ethical. Two fundamental principles of ethics are:

- *The Principle of Reciprocity,* taught to us in grade school as the *Golden Rule:* Do unto others as you would have others do unto you.
- *The Principle of Permission:* When you're not sure how others want to be treated, ask them, and let their answer guide your actions.

People can succeed in business without behaving ethically, but there are four very good reasons why most of us engage in ethical behavior:

1. It's right.
2. It's good for business.
3. Not behaving ethically invites dire consequences.
4. The business world depends on ethics for its very survival.

Ethical standards are set by society as a whole, not by individuals. Just because your boss or members of your work group say something is okay doesn't mean it is. To evaluate whether an action is ethical, ask yourself the following five questions:

- Would the recipient of my actions give me permission if I asked?
- Does it comply with the Golden Rule?
- Is it legal?
- Is it accepted by society, our culture, and the business world?
- Does it follow the fundamental principles of major religions?

Self-Check: Chapter One Review

Answers to these questions appear on page 104.

1. Match the following terms with their definitions.
   _____ Ethics
   _____ Moral
   _____ Ethical behavior

   a. Living and acting in conformity with morality
   b. Rules or standards for moral behavior
   c. When society as a whole finds a behavior acceptable, permissible, and even desirable

2. What is the more common name for the *Principle of Reciprocity?*

   ____

3. True or false?
   Ethical standards are set by individuals as they try to solve moral dilemmas.

4. Which of the following is *not* a question you should ask yourself to determine if an action is ethical?
   a. Would the recipient of my actions give me permission if I asked?
   b. Does it comply with the Golden Rule?
   c. Is it financially sound?
   d. Is it legal?

5. True or False?
   The business world depends on ethics for its very survival.

Notes

Chapter *Two*

Making Ethical Business Decisions

Chapter Objectives

- Review and clarify the process for ethical decision making in business.
- Consult mission statements and other corporate policies for guidance.
- Make decisions and be prepared for the consequences.

Deciding what to do about a defective product . . . creating a sales presentation that's both persuasive *and* honest . . . determining whether an employee should be promoted . . .

There are no hard-and-fast rules for what constitutes the right ethical decision in every circumstance.

Each day, businesspeople face a variety of ethical decisions. Because these decisions and the situations in which they occur are so varied, there are no hard-and-fast rules for what constitutes the right ethical decision in every circumstance.

There is, however, a systematic process you can follow to make ethical decisions in virtually any situation. The steps are:

1. Defining the issue
2. Gathering data
3. Listing pros and cons
4. Checking for legality
5. Checking the organizational mission
6. Weighing choices and consequences
7. Making the decision
8. Acting on the decision
9. Living with the decision

Following a Process for Ethical Decision Making

Step 1: Defining the Issue

Your first step in making an ethical decision is to define precisely the ethical dilemma you face. Make your definition narrow in scope and specific to a given situation rather than broad, theoretical, or philosophical. For instance, instead of asking, "Do we manufacture products to ethical standards?" ask, "Is our current quality control procedure on Model DRS-200 sufficient to ensure the level of quality required by our users?"

Your first step in making an ethical decision is to define precisely the ethical dilemma you face.

Treat situations as individual, not global. For example, instead of asking, "Is Len a bad person?" ask, "Did Len act fairly in the tactics and pitch he used to sell the 10,000 unit contract for widget X to Customer ABC?"

Ask yourself how you would define the ethical dilemma in the following case study:

Case Study

- A manufacturer of a test instrument wanted to offer a handheld unit with as many or more capabilities as competitive units, but priced 10 to 15 percent below the competition.

  In creating the product, engineers "overdesigned" the instrument, giving it even more capabilities than product management requested and, consequently, raising the manufacturing cost. To sell the device at 10 percent less than competitive units would result in a smaller than usual margin for the manufacturer.

  Marketing's solution was to sell the unit at the lower price, but not to actively promote or even let the user know about certain of the advanced capabilities that the "overdesigned" model contained. "In six months, when competitors offer these features in their new versions, *we'll* offer them as an *upgrade,*" suggested the marketing vice president, "which will sell for about $1,200 and help us recover our costs."

  "What will we send them?" asked the engineering vice president, confused.

  "Nothing," explained the marketing VP. "That's the beauty. They already have the upgrade *in their hands.* Our sales reps will merely show them how to activate and use the existing advanced capabilities already programmed into the units."

"That sounds unethical," replied the engineering VP. "How can we sell them something they already have?"

"Our competitors will be offering these advanced capabilities in their new models, for which they will charge plenty—the cost of a whole new unit," retorted the marketing VP. "We're doing a customer a service by adding these capabilities for a fraction of that cost."

Take a Moment

What do you think of the marketing VP's "upgrade" strategy for selling advanced capabilities already built into the basic unit?

____

____

Gather facts related to the case being analyzed.

Step 2: Gathering Data

Gather facts relating to the case being analyzed. This research can include:

- Interviews with involved parties.
- Supervisor memos.
- Customer correspondence.
- Logs and records.
- Reports.
- Complaints.
- Historical data on similar incidents within your organization.
- Legal reviews.
- Third-party opinions.

Support assertions, especially criticisms, with facts and documentation. Find out what other companies are doing in similar situations; after all, courts seek cases showing precedence—you can, too. You can also refer to customers' feedback given through phone calls, letters, surveys, or e-mail—how do they feel about your actions?

What type of data should we gather for evaluating our previous case study? We can find precedence in many industries of companies selling a basic unit with extra capacity, capability, or functionality that can be offered, at a later time, for an additional fee. For instance, I once wanted to rent a one-bedroom apartment; but only two-bedroom units were available. The building manager said, “We’ll give you the two-bedroom for the price of a one-bedroom and keep the second bedroom locked. When you’re ready to move up, we’ll raise your rent to the two-bedroom rate and give you use of the second bedroom.” I found it unusual to have an apartment with an off-limits room, but certainly not unfair or unethical.

Another technique we could apply to evaluate the case study is customer interviews. How would customers feel about being charged for activation of built-in features not previously revealed? Focus groups or telephone interviews with customers could give you a reading on this without revealing the specifics to the buyers.

Step 3: Listing the Pros and Cons

Once you have the facts, divide a sheet of paper into two columns by drawing a vertical line down the middle. Label the left column *For* and the right column *Against.*

In the left column, list facts that support the ethically questionable behavior. In the right column, list the facts that argue *against* this potentially unethical behavior.

When you are done, look at your paper. Is one column longer than the other, with many more supporting facts? This would indicate that either the *For* or *Against* position is stronger.

For a more accurate assessment, weigh each factor listed by assigning a number to it: 1 = not very important, and 5 = critically important. Then add up the total for each column. A higher number in the left column supports the behavior. A higher number in the right column argues against it.

If an action is illegal, you should not do it—it's ethically wrong.

Step 4: Checking for Legality

Our laws reflect society's standards for ethical behavior. If an action is illegal, you should not do it—it's ethically wrong. (But remember, the converse is not true—an action may be legal and still be unethical.)

To return to our previous examples, there is nothing illegal about renting tenants a two-bedroom apartment for a one-bedroom fee and not giving them use of the second room until they are ready to pay for it. There is also nothing illegal about selling someone an instrument with 20 capabilities at a 10-capability price and promoting only those 10 capabilities, then offering them access to the additional 10 capabilities later.

Step 5: Checking the Organizational Mission

An act that is clearly contrary to your organization's mission statement is likely a violation of corporate ethical policy. If the mission statement is "to ensure a clean environment for future generations," and the act is dumping toxic waste in a nearby river, it's unethical as well as dangerous.

As it happens, part of the mission of the instrument manufacturer in our case study is to offer customers leading-edge technology at competitive prices. Even with the advanced features turned off, the instrument offers as much or more capability than other brands at a significantly lower cost. Therefore, it meets the company policy of superior technology at a good value.

Step 6: Weighing Choices and Consequences

Take into account the factors listed—pros and cons, legal implications, and conformity with corporate objectives and standards. Apply your intelligence and judgment to analyze the situation to the best of your abilities. Get other opinions. If the decision is momentous, ask for help informally, or form a task force or committee to address it. When appropriate, include on this committee people who are closely involved with the issue being discussed and who will likely be affected by the implementation of your decision.

Take a Moment

Returning to our case study, list some of the consequences—positive and negative—from implementing the marketing VP's strategy. For example, do we risk angering customers when they order and pay for our upgrade, then find out they already had the capability in their hands for six months but could not use it?

1. ____

2. ____

3. ____

4. ____

5. ____

Step 7: Making the Decision

Once you have reached a conclusion, put it in writing. Set up a meeting with the involved parties. Explain how you reached your decision, what it is, what it means, and the consequences. Spell out each action step and who is responsible for implementing that step. Give a copy of your findings to participants during the meeting so they have a written record.

Once you have reached a conclusion, put it in writing.

If the people in the group have opinions that should affect your decision, solicit them in the research stage and again when having your committee discussions (see previous section). That way, their ideas and comments will have already been considered and incorporated into your decision.

In our case study, the company decided to launch the product at the lower price, then offer the advanced features in a later release. The second release would be a "soft" release, meaning that once the upgrade was purchased, advanced features built into the system would be activated through simple programming of the software. The competitors, by comparison, would be issuing a more expensive "hard" release, requiring customers to buy an entirely new instrument.

Step 8: Acting on the Decision

Sometimes implementing ethical decisions is painful. You may need to terminate employees, change business practices, or leave a lucrative market or product. Implementation of the ethical policy might initially hurt sales, lower profit margins, or impede someone's career progress.

When confronted with these obstacles, try to think of them as short-term sacrifices you are making in the name of long-term gain. Remember, people prefer doing business with ethical individuals and organizations. Making some sacrifices now can help you build the type of reputation that will benefit you in the long run.

Step 9: Living with the Decision

One method of determining whether your decision was proper is the "sleep test." If your decision keeps you up at night—if you think you did the wrong thing or avoided confronting an ethical dilemma at its core—you may indeed have done so.

You should go to bed each night knowing that you did the right thing during the day.

As the old saying goes: "A man has to live with himself; he should see that he always has good company." You should go to bed each night knowing you did the right thing during that day. Most managers at the instrument manufacturer felt they were not doing anything wrong by implementing the soft upgrade plan; in fact, almost everyone felt it was a better deal for customers than the hard upgrades competitors were planning. However, if you were the CEO and the marketing VP's strategy rubbed you the wrong way, you might have to rethink the decision before acting on it.

Take a Moment

Your company makes a unique piece of industrial equipment protected by patent. It's simple to manufacture, and when the patent runs out in six months, anyone can make the device. You've found a machine shop that can build units for less money than your company, and you have enough capital to go into business against them. When the patent expires, what do you do?

Continued on next page

Take a Moment *(Continued)*

List your options below. Use the nine-step process for ethical decision making just discussed to analyze each. Pick the course of action you think you'd actually take. Is this the most ethical option on the list? If not, how do you justify taking it?

After you've chosen your response, review the list of possible actions on pages 104–105.

Creating a Formal Ethics Policy

Many corporations have created and implemented ethics codes. At Dow Corning, managers conduct face-to-face "ethics audits" with employees to uncover potential problems. IBM employees must certify annually that they comply with the company's "Business Conduct Guidelines." Raytheon has a director of ethics compliance. Johnson & Johnson surveys employees to get their opinions on how well management adheres to the corporate credo.

Why are formal ethics policies, codes, and programs desirable? Shouldn't we be able to trust each employee to, in the words of Spike Lee, "do the right thing"? Certainly, the individual conscience is an important factor in maintaining ethical standards. But even basically honest individuals might appreciate the support of a formal ethics policy when faced with difficult decisions and gray areas.

An ethics policy can reduce your company's legal liability.

Besides helping individuals make ethical decisions, an ethics policy can reduce your organization's legal liability. Federal sentencing guidelines allow judges to reduce fines if an organization had an ethics program in place prior to an offense.

In their book *Balancing Personal and Professional Ethics* (Amherst, MA: HRD Press, 1995, p. 77), David Dalke and Sheryl Ankerstar recommend the following procedure for developing a code of ethical standards for your organization:

1. **Send a letter to or request a personal visit with the president or CEO.**
   Many of your colleagues consider development of an ethics code a nice idea but a low priority on their things-to-do lists. Getting the blessing of senior management gives a top-down imperative to the job that can help you get more done with better cooperation and less resistance.

2. **Consult with your human resources department.**
   If you are not in the human resources department, get them involved early. Ethics are a human resources issue, and while ethical behavior is everyone's concern, creating employment guidelines is a specific responsibility of human resources. Ask for their help, and you'll have more resources to aid your effort.

3. **Explain why you feel a code of ethics should be established.**
   While many business people agree that ethics are important in theory, they may not see a direct benefit or reward for devoting the time and effort needed to set ethical standards. Write a one-page mission statement that shows what you want to do and how the company and its employees are likely to benefit. Use examples and statistics from this book and other resources to support your case, if you like.

4. **Offer to be part of a task force to research the codes of ethics of other organizations, including origins, usage, and effectiveness.**
   Why reinvent the wheel if you don't have to? Since most ethical principles are universal, you can quickly create a draft of an ethics policy by looking at the ethics policies of other companies and adapting what works to your own organization. Don't copy blindly, of course, but look to other corporations' ethics for ideas.

5. **Summarize your findings for decision-makers.**
   In a short report, summarize your findings, including:
   - Benefits of having a corporate ethics policy (give statistics and anecdotal evidence to support your case).
   - How such a policy complements and enhances your organization's mission.
   - Elements the policy should contain.
   - Recommendations on how it should be crafted, approved, disseminated, and implemented.

6. **Establish a group to create the ethics policy.**
   Representatives from each major area of the organization, especially those most affected by the ethics policies (e.g., sales, marketing, advertising, quality control, production, environmental compliance, research and development) should be part of the group. Not only do they know the specific problems in their areas that must be addressed, but they also can also tell you whether a guideline you want to impose on their group is realistic or attainable.

7. **Test the ethics code for clarity and practicality.**
   Is it clear? Does it make sense? Is it practical? Can it be implemented and monitored with any degree of accuracy? What will you do to make sure the policies are followed and do not merely gather dust sitting in a binder on shelves throughout the company?

8. **Conduct training sessions to explain the new ethics standards and gain commitment.**
   Explain the policies, their origins, their importance, and how the individual employee can ensure his or her actions comply with the guidelines. Distribute instructions on how to handle observed violations with the policy as well as forms employees can use to give feedback.

If your ethics code is to have meaning, your organization must enforce it once it is in place. In the case of minor violations, this may mean simply speaking with the individual and clarifying company policy. However, in the case of severe ethics violations, it may be necessary to fire the violator. Otherwise, employees may perceive the organization as condoning the action.

If your ethics code is to have meaning, your organization must enforce it once it is in place.

As we've seen, following a decision-making procedure and developing a formal ethics policy can help with ethical decision making in a variety of situations. In the following chapters, we'll consider several of the contexts in which businesspeople make ethical decisions.

Chapter Summary

Each day, businesspeople face a variety of ethical decisions. Following the steps of this process will help you with ethical decision making in virtually any situation. The steps are:

1. Defining the issue
2. Gathering data
3. Listing pros and cons
4. Checking for legality
5. Checking the organizational mission
6. Weighing choices and consequences
7. Making the decision
8. Acting on the decision
9. Living with the decision.

Many corporations have created and implemented formal ethics codes. In their book *Balancing Personal and Professional Ethics*, David Dalke and Sheryl Ankerstar recommend the following procedure for developing a code of ethical standards for your organization:

1. Send a letter to or request a personal visit with the president or CEO.
2. Consult with your human resources department.
3. Explain why you feel a code of ethics should be established.
4. Offer to be part of a task force to research the codes of ethics of other organizations, including origins, usage, and effectiveness.
5. Summarize your findings for decision makers.

6. Establish a group to create the ethics policy.
7. Test the ethics code for clarity and practicality.
8. Conduct training sessions to explain the new ethics standards and gain commitment.

When people in your organization violate the ethics code, point out the violation and help them move back in line with company policy. In cases of severe ethics violations, it may be necessary to fire the violator.

Self-Check: Chapter Two Review

Answers to the following questions appear on pages 105–106.

1. List the nine steps of the ethical decision-making process:

   a. ____________________

   b. ____________________

   c. ____________________

   d. ____________________

   f. ____________________

   g. ____________________

   h. ____________________

   i. ____________________

2. What are three ways you can gather data to help you in the decision-making process?

   a. ____________________

   b. ____________________

   c. ____________________

3. True or False?
   If a business decision is illegal, it is probably unethical as well.

4. True or False?
   If an ethical policy is hard on you or others in your organization, you should scrap it.

5. True or False?
   Having a written corporate ethics policy may lessen the cost of judgments against you for ethical violations.

Notes

Chapter *Three*

Dealing Ethically with Employees

Chapter Objectives

- Make ethical and legal hiring decisions.
- Conduct fair performance appraisals.
- Develop guidelines for treating employees ethically.
- Correct employees who have behaved unethically.

Corporate downsizing, increased outsourcing, frequent re-engineering, and an increased cost of living have made many people today feel powerless—or at least less in control than they used to be. They feel less secure in their jobs and more worried about losing those jobs.

If you're an employer or manager, the natural tendency is to use these circumstances to your advantage. After all, employment is a negotiated arrangement between employer and employee. In any business negotiation, isn't each side trying to get as much as it can? Your employees are jockeying for a better title, more salary, and extra perks. Why shouldn't you aim to save your company money by providing less salary and fewer perks?

Just because you *can* do something doesn't mean you do it.

But the issue isn't that simple. Based on the Golden Rule of doing unto others as you would have them do unto you, you seek a balanced position: You want your organization to come out ahead, but you want to do so without taking unfair advantage. A key proposition of ethics is "Just because you *can* do something doesn't mean you do it."

In this chapter, we'll consider how you can do the right thing when you are making supervisory decisions, hiring and promotion decisions, and performance appraisals. We'll also discuss whether it's appropriate to socialize with employees outside of work, how to deal with an employee who has behaved unethically, and what to do if an employee questions your ethical behavior.

Take a Moment

How much personal power do you have over the lives of the people who work for you? Do you ever feel tempted to take advantage of them?

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Making Ethical Supervisory Decisions

As a manager or supervisor, you make a lot of decisions that affect your employees' lives—everything from work hours, shifts, and vacation days, to work assignments, allocation of resources, bonuses, and perks. How do you ensure these decisions are fair?

As a manager or supervisor, you make a lot of decisions that affect your employees' lives.

From an ethical standpoint, you need to consider three parties when making supervisory decisions:

- The manager or supervisor (you)
- The employee
- The organization

From a practical standpoint, the same three parties—you, your employee, and your organization—are affected by these same supervisory decisions. Interestingly, the pragmatic interests of supervisor, employee, and organization often coincide neatly with the conformity to ethical business standards:

- **The supervisor's perspective**
  The supervisor wants workers to do what she asks them to do, when she asks them to do it, cooperatively, pleasantly, and efficiently. This desire is supported by the principle of reciprocity: If the worker were the boss, he'd certainly want his staff to do what he asked them—within reason, of course.

- **The employee's perspective**
  Employees want to be treated with dignity. They want managers and supervisors to recognize them as human beings, not just labor units or resources. Most employees want to earn their pay. But they want to be allowed to do their jobs properly while earning a living. This means a reasonable workload, decent working conditions, and fair compensation.

  The employer should want this, too. Disgruntled, unhappy employees are difficult to deal with and often perform poorly. The employer wants workers to be productive and easy to deal with. Therefore, the employer is motivated to balance workload with compensation and benefits so employees feel rewarded and are continually motivated to give their best.

- **The organization's perspective**
  The employer wants to get more done with fewer people—or more properly, to get maximum productivity out of every worker. But it also wants to avoid work slowdowns, "sick outs," strikes, protracted labor negotiations, employment law violations, and low morale—and the resulting penalties. It is, therefore, in the employer's best interest to set a fair course when dealing with employees.

All of this works out nicely when everyone is in agreement. But conflicts arise when employers and employees do *not* agree on what is fair and reasonable. In those cases, both employers and employees need patience and good negotiation skills. When such conflicts become too serious, they may have to be settled by mediators, labor negotiators, and attorneys.

The Golden Rule is one simple concept that can help you avoid conflict with employees.

The Golden Rule is one simple concept that can help you avoid conflict with employees. What treatment from employers, utilities, insurance companies, banks, government agencies, retailers, and other organizations do you resent? Put yourself in your employees' shoes and avoid doing those things to them.

Another way to avoid misunderstandings with employees is to use the Principle of Permission. For instance, large law firms are sometimes criticized for making new associates put in 80-hour weeks. But if you explain this to candidates during the interview, and they then accept the job, they've agreed to abide by your conditions. With full knowledge and agreement in advance, many things that would otherwise be borderline ethical can be made clear and acceptable.

Take a Moment

What things do corporations do to their employees that you wouldn't want done to you? What things might they do in the future, given the increasing power of large corporations in America today?

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Making Ethical Hiring and Promotion Decisions

One area in which managers and supervisors hold a great deal of power over employees is hiring and promotion. How can you be sure that the decisions you make are ethical, fair, and free of personal bias?

We've discussed that one extremely helpful guideline for ethical behavior is to follow the law: If it's illegal, it's almost surely unethical.

Fortunately, employment laws you must follow in making hiring decisions have been well thought out to protect the rights of workers. Therefore, it's a pretty good bet that if you stay within the law in the hiring process, you're acting fairly and ethically.

Employment laws you must follow in making hiring decisions have been well thought out to protect the rights of workers.

In his book *Legal Issues for Managers* , Mike Deblieux identifies personal factors that the law says should *not* influence hiring and promotion decisions.

- **Age**
The Age Discrimination Employment Act of 1967 makes it illegal not to hire or promote people because they're age 40 or older. It's also illegal and unethical not to hire, promote, or choose someone solely because he or she is *young,* if that person meets all qualifications as well as the other candidates. An article in the *New Jersey Star Ledger* (March 24, 1998) reports that in 1996, the U.S. Equal Employment Opportunity Commission received 14,748 complaints of age discrimination.

- **Marital status**
The law says that you do not need to know and should not consider the gender, marital status, or family status of an applicant. For this reason, it's illegal to ask women applicants their maiden name, since that indicates whether they're married. Says Deblieux: "Questions about children, child care, pregnancy, and outside family interests are not job-related and should be avoided in an interview."

- **Appearance**
Although there have been numerous studies to show that tall and good-looking people are treated more favorably in the hiring process than short or plain people, this isn't legal or ethical. *That many people do a thing doesn't make the thing right.* Even on-air TV personalities have sued employers who discriminated against them because of appearance or gender.

- **Disabilities**
Not hiring someone simply because he or she has a mental or physical disability is prohibited by the Americans with Disabilities Act of 1990.

  What about a job where a disability might interfere with the person's ability to perform the work? Your organization should be able to make reasonable accommodations to allow the disabled person to do the work—for instance, adding a wheelchair ramp so employees in wheelchairs can get into the building.

  Since medical testing may reveal a disability, and you're not allowed to ask about disabilities, you can't require the candidate to take a medical exam until after a job offer has been made. As for whether you can ask an applicant to take a drug test, the legality varies by state.

- **Criminal record**
  You have the right to ask candidates whether they've ever been convicted of a felony, but you *can't* ask about arrests. If a felony conviction is not job-related, you can't consider it in your hiring decision (of course, "job-related" is open to wide interpretation).

- **Religion**
  The Civil Rights Act of 1964 prohibits discrimination on the basis of religion. If you are concerned about whether employees could work certain days or hours, ask about their availability to work during that time, not whether their religion would prohibit them from doing so.

Take a Moment

Do you believe you have ever been discriminated against in a work or educational situation? How did it make you feel? Applying the Golden Rule, how would you treat others if you were in charge in a similar situation?

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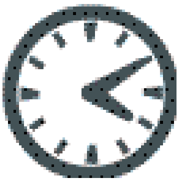

Conducting Ethical Performance Appraisals

Performance appraisals have two purposes:

- To improve the employee's future performance
- To provide a written record of performance that protects the employer if an employee sues for wrongful termination

As far as ethical considerations go, employers have three obligations to their employees regarding performance reviews:

- The performance appraisal must be honest. It should record and rate performance as truthfully, precisely, and objectively as possible. If you give an opinion, back it up with proof and documentation.

The performance appraisal should not contain any surprises.

- The performance appraisal should not contain any surprises. Don't tell an employee she's doing fine during the course of the year, then criticize her for poor performance during the review. If you are unhappy, the employee has a right to know right away and be given a chance to correct the deficiency.

- The performance appraisal should not be subject to revision at some future time. When disciplining or terminating an employee, you can't suddenly announce, "Well, your performance really wasn't very good last year, but I took it easy on you in the written performance appraisal so you wouldn't feel bad." The assessment must be honest. It's unfair to say you were being too kind (or too tough) when discussing the performance appraisal months or years later.

Take a Moment

Have you ever received a performance appraisal you thought was unfair? Do you think it was unethical? How would you have handled the situation if you were in charge?

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Employer/Employee Relationships On and Off the Job

Should supervisors and employees socialize outside of the workplace? Different people have different feelings about this issue. Some leave work at the office, seeing colleagues only when conducting business.

Others mix personal and business life. They play golf with their clients, go fishing with their employees, attend the confirmations and weddings of their vendors' children, have the families of fellow managers over on the weekends for barbecues.

It sounds innocent enough, but there can be problems. When people form closer bonds outside the office, does this cause them to give one another preferential treatment in the workplace? If important business is discussed on the golf course between a salesman and his manager, is that unfair to the seven other salespeople in the department who don't play golf with their boss on the weekend?

You may choose to extend your work relationships beyond the workplace and working hours, but you should never give preferential treatment to those business colleagues who are also in your social circle. And you should not discriminate against any business colleagues, customers, or vendors who aren't included in these extracurricular activities.

You should never give preferential treatment to those business colleagues who are also in your social circle.

It's okay for a sales manager to discuss a particular customer with one of his salesmen on the golf course if that customer is the salesman's account. But it's not okay for the two of them to discuss issues affecting the entire department when the rest of the department isn't there and is therefore being excluded.

Applying these guidelines is, of course, a matter of degree. Some "shop talk" naturally takes place whenever two or more colleagues get together outside the workplace. Just make sure it's of a casual nature and doesn't deal with key policies, decision making, or strategies that affect others in the company who are not part of your inner circle.

Take a Moment

Do you have colleagues with whom you socialize outside of work? Have you ever inadvertently discussed key policies in a social setting, excluding other employees?

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Have you ever felt excluded from decisions that were made outside of the workplace setting? How did that make you feel?

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Handling Unethical Employee Behavior

What should you do when an employee you supervise does something you think may be unethical or inappropriate? Here is a simple six-step process for coping with the situation:

1. **Determine the severity.**
   A brief oral reprimand may be all that's required for a minor incident. More severe violations may require more formal discipline, including a warning memo for the employee's personnel record.

2. **Focus on the problem, not the employee.**
   When dealing with unethical employee behavior, talk about "Here's why we can't do this at our company" instead of "Look what you did."

3. **Explain the problem.**
   Be clear about what was wrong. Was it a violation of the law or of company policy? Did it upset someone or cause a specific negative result? If you simply feel the action was unethical or wrong, be prepared to explain why. If your company doesn't have an ethics policy, perhaps you need to create one (see Chapter Two).

4. **Implement appropriate corrective measures.**
   Agree on what the employee needs to do to correct the situation. Look to your organization's policies and procedures for guidance.

5. **Create a future expectation.**
   Let the employee know the behavior you expect in the future and the consequences and penalties for noncompliance.

6. **Put it in writing.**
   Summarize steps 1 through 5 above in a memo and send it to the employee. Keep a copy for yourself.

What If Your Behavior Is Questioned?

At times, the situation may be reversed: You do something an employee under your supervision feels is wrong, and she confronts you about it. Here's how to handle this situation:

1. **Step back from defensiveness.**
   Supervisors may bristle at being questioned or challenged by subordinates, but they shouldn't. Instead of "Who are you to question what I do?" your attitude should be "What is it you think I've done wrong?"

2. **Ask for clarification.**
   If you're not clear on what the employee thinks you did or why she thinks it is wrong, ask her to be specific. When was this action performed? Whom did it affect? What was wrong about it?

3. **Isolate the conflict.**
   Separate this specific ethical dilemma from the rest of your relationship with the employee. Perhaps you've not gotten along in the past. Don't let that blind you to the fact she may have a legitimate complaint now.

4. **Reach a consensus.**
   If appropriate, involve your supervisor. Together, your boss, you, and the employee can determine whether a violation occurred and what should be done about it.

5. **Create a future expectation.**
   Based on your decision in this case, create a policy to guide managers and their staff if similar situations occur in the future.

6. **Put it in writing.**
   Summarize steps 1 through 5 above in a memo and send it to your supervisor. Forward a copy (cc) to the employee. Keep a copy for yourself.

Employers do hold a good deal of power over their employees. Because you represent your organization to those who work under you, you determine whether that power is used ethically or exploitatively. By keeping in mind the Golden Rule, the Principle of Permission, and relevant employment law, you should be able to maintain a fair and ethical relationship with all your employees.

Chapter Summary

Because employees depend on employers for their income, employers hold a good deal of power that they can easily exploit. However, if you're an employer or manager, ethical behavior means striking a balance that allows you to treat employees fairly while still protecting the interests of your organization.

From an ethical standpoint, you need to consider three parties when making supervisory decisions:

- The manager or supervisor (you)
- The employee
- The organization

The Golden Rule and the Principle of Permission can help you avoid conflict when trying to balance these three sets of interests.

One area in which managers and supervisors need to treat employees ethically is hiring and promotion. Following the law in this area will help you make ethical decisions. The law will help you avoid discrimination on the basis of age, marital status, appearance, disability, criminal record, and religion.

Another area of ethical concern is the performance appraisal. Managers and supervisors have three obligations to employees when conducting a performance appraisal:

- The performance appraisal must be honest.
- The performance appraisal should not contain any surprises.
- The performance appraisal should not be subject to revision at some future time.

How much social time should you spend with employees outside of the workplace? You may choose to extend your work relationships beyond the workplace and working hours, but you should never give preferential treatment to those business colleagues who are also in your social circle. And you should not discriminate against any business colleagues, customers, or vendors who aren't included in these extracurricular activities.

If you are faced with an employee who has behaved unethically, follow these steps to deal with the situation:

1. Determine the severity.
2. Focus on the problem, not the employee.
3. Explain the problem.
4. Implement appropriate corrective measures.
5. Create a future expectation.
6. Put it in writing.

If your own behavior is questioned, follow these steps:

1. Step back from defensiveness.
2. Ask for clarification.
3. Isolate the conflict.
4. Reach a consensus.
5. Create a future expectation.
6. Put it in writing.

Self-Check: Chapter Three Review

Answers to the following questions appear on page 106.

1. What three parties do you need to consider when making supervisory decisions?

   a. ______________________________

   b. ______________________________

   c. ______________________________

2. True or False?
   If you prefer younger workers to older workers, or single workers to those who are married and have families, you can give preference to young singles when hiring people to work for you.

3. Why shouldn't you ask a female job applicant her maiden name?

   ____

   ____

4. Which of the following is ***not*** an obligation that supervisors and managers have to employees when conducting a performance appraisal?
   a. The performance appraisal must be honest.
   b. The performance appraisal should not contain any surprises.
   c. The performance appraisal should cover only a six-month period.
   d. The performance appraisal should not be subject to revision at some future time.

5. What are the six steps for dealing with an employee who behaves unethically on the job?

   a. ______________________________

   b. ______________________________

   c. ______________________________

   d. ______________________________

   e. ______________________________

   f. ______________________________

Chapter *Four*

Dealing Ethically with Employers, Managers, and Supervisors

Chapter Objectives

- ▶ Establish a framework for a comfortable, ethical relationship with your employer.
- ▶ Deal with managers and supervisors whose requests create an ethical conflict for you.
- ▶ Determine appropriate action when a supervisor or employer acts unethically.

Should you treat your superiors differently than you treat your subordinates? Of course! You can tell your subordinates what to do; indeed, it's part of your job description to do so. But you can't tell your manager or supervisor what to do. You can suggest, recommend, or even push. But you can't order him or her.

Your supervisor, however, can tell you what to do. Not only that, but he or she has a good deal of control over your day-to-day activities at work as well as your long-term career development. If your supervisor is not on your side, it can make your work life miserable.

Treating Superiors as Customers

The best strategy for dealing with a superior is to *treat him or her as a*

The best strategy for dealing with a superior is to *treat him or her as a customer.* Businesspeople traditionally treat their customers better than anyone else. So if you treat your manager as a customer, you'll automatically give that person a level of honesty, commitment, respect, and service she or he would consider desirable. At the same time, you avoid actions that, at best, displease the boss and, at worst, could be considered improper or even unethical.

Increasingly, business people are accepting the philosophy of treating everyone—managers, supervisors, colleagues in other departments, even employees and suppliers—as internal customers. People in staff jobs now refer to the line managers they support as "the customer" or "the client."

Today many staff people offering services to internal customers have to compete for the business—sometimes against other staff services and sometimes against outside vendors. The sales department, for example, might choose to outsource development of its sales management automation system to a third-party vendor rather than give the job to the in-house Information Systems department. The technical publications department might compete with the marketing communications department over who gets to design a new brochure for a product manager.

Of these internal customers, supervisors and managers certainly come the closest to being real customers in actual practice: They control your compensation and have power to discontinue your services if dissatisfied. Treating them as customers not only leads to ethical, fair treatment but also helps you succeed by doing a good job and satisfying your boss. It's truly a win-win situation.

More Support for Ethical Behavior

Aside from the conventional reasons for maintaining ethical behavior, there's another reason to apply the Golden Rule to your interactions with your boss: You might get in trouble if you don't.

One employee in a city agency gave his boss a candy bar as a gift. But behind the boss's back, employees snickered; the candy bar was their unofficial award for "laziest supervisor" in the office. According to an article in the *New York Daily News* (February 2, 1998), when the supervisor found out she was the butt of a joke, the worker who gave her the candy was found guilty of insubordination. He was suspended 13 days without pay and lost 7 days vacation. Those 20 days were worth about $1,900—enough to buy 3,167 candy bars.

Take a Moment

1. Who are some of the people who have control over you at work? How do you feel about them? Why?

____

____

2. Do you and your coworkers form a clique or exclude your boss from your inner circle in some other way? How would the boss feel if he or she knew about it?

____

____

Determining What to Tell Your Supervisor

You should never lie to your boss. But is it ever appropriate not to volunteer information, or to selectively filter how much you say?

Military intelligence officers talk about giving information on a "need to know basis." Here are some ground rules for knowing when to be forthcoming and when to hold your tongue:

- **Give warning about upcoming problems.**
  Supervisors hate surprises, so don't give them any. If you have a problem—for example, you're going to miss a deadline—let your boss know early instead of springing it on her at the last minute. This will give her more time to react and handle the situation.

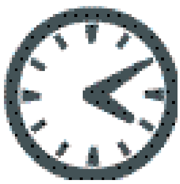
- **Be honest.**
  Honesty is the best policy most of the time—and virtually all of the time when dealing with the person who signs your paycheck. Tell the truth when the information is job-related, the boss has a need to know it, and withholding information can adversely affect either your company or your own job performance—or both.

- **Consider the welfare of others.**
  If withholding information might result in compromising the health or safety of employees or consumers, it's morally wrong not to come forth. Alleged violations of this principle have resulted in heated ethical debates making front-page headlines. The tobacco industry's problem with secondhand smoke comes to mind as an example.

- **Protect your rights.**
  What if a supervisor asks you a question that's inappropriate, illegal, personal, or irrelevant to the job? Your action depends on your relationship with that individual and the particular question. Sometimes the best strategy is to give a brief, general answer that contains enough information to constitute a polite response while not being specific enough to violate your privacy. Most people will sense that you don't want to discuss the subject further and will move the conversation to another topic.

Although getting into confrontations with a manager or supervisor is usually not desirable, take advantage of the protection offered by federal employment law if necessary. It's illegal, for example, for a boss to ask about your political or religious convictions, your marital status, your family life, or your views on issues of the day. You're within your rights to politely suggest that a given topic is personal and you'd prefer the conversation to remain job-related.

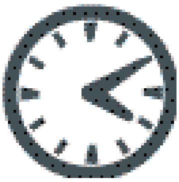
Take a Moment



How would you handle the following situations? Write your answers below, then compare them with the responses on page 107.

1. You tell your supervisor you are taking a personal day to attend your uncle's funeral. He asks whether, in addition to the funeral service, there will be a wake—and whether you will attend. There's no wake, and the reason is your religion doesn't include that practice. The fact that there is no wake, therefore, might indicate your religion to the boss. You feel your religion is none of the company's business. How would you answer the question?

Continued on next page



Take a Moment *(Continued)*

2. Your manager has bad breath. Workers, vendors, and even customers joke about it behind his back. He needs to practice better oral hygiene. You're pretty sure he's unaware of it. Should you tell him?

Handling the Supervisor Who Demands Unethical Behavior from You

What should you do when a manager or supervisor asks you to do something that doesn't seem right to you? Here are some questions to consider as you make your decision:

- **What are the criteria for ethical decisions?**
A good place to start is your company's code of ethics, if one exists. If not, follow your own ethical instincts and the principles discussed in this book. You have to know what constitutes ethical vs. unethical behavior in a given situation to be sure what the boss has asked isn't in fact ethical.

- **Are these criteria valid?**
Some organizations have codes of ethics that are well thought out and rigorously adhered to. Others wrote their codes long ago as part of an exercise; the codes now sit in binders on dusty shelves and are rarely, if ever, consulted. The criteria you follow should be current and relevant.

- **Does the action or policy provide optimal benefit to all parties?**
  Is it good for you, your boss, your coworkers, your organization, your customers, and other parties involved? If it hurts someone unduly to achieve its primary goal, is the policy really worth it? Isn't there a way to accomplish the same ends that doesn't hurt others to this degree?

- **Does the action value the rights of all parties?**
  Use the Golden Rule. If carrying out the order violates someone's rights in a way you would not want your rights to be violated, don't do it. To put it in simple terms: If you believe children have the right to grow up in a healthy environment, you won't pollute their drinking water.

- **Does the action fit your sense of values?**
  We all have a sense of values—it's what enables us to distinguish between right and wrong. An ethical person avoids doing wrong.

- **What are the possible consequences?**
  When an ethical decision is in a gray area, consequences weigh heavily. If bending the rules a little helps someone enormously, such as providing an employee with some extra time to deal with a sick child, that weighs in favor of going along with the order.

- **Is a law or company rule in danger of violation?**
  If the action violates a law, don't do it. You could end up in prison. If it violates a company rule, you probably shouldn't do it unless the rule doesn't make sense in this situation—and you can convince others that's so.

- **Do you have the authority to take action?**
  Don't carry out the order if it deals with an area where you and your boss have no jurisdiction. The sales manager, for example, doesn't have the right to come in on the weekends and, unknown to the Information Systems manager, reprogram the computers. So if she asks you to help her with this clandestine action, you should refuse.

- **Is the action or policy appropriate?**
  Let's say your boss tells you to squeeze vendors for the best prices. One of your favorite suppliers is a small machine shop that would be devastated by this policy. They've been a vendor for decades and have helped your company out of many tight spots with extra service and flexible pricing and terms. Do you "owe" them anything for their years of loyal service? Is it appropriate to apply the squeeze policy to this vendor?

- **Are there any special factors?**
  There are exceptions to virtually every rule. Is there something unusual about the situation that warrants a deviation from acceptable ethical practice?

Take a Moment

Company policy prohibits personnel from accepting gifts of greater than $25 in value from vendors. You notice that your boss has gotten some incredibly expensive gifts, far exceeding the $25 limitation, from the vendors whom he tells you to give the most orders to. What do you do?

____

____

____

After you have completed your answer, check it against the suggest response on page 107.

Handling the Employer Who Behaves Unethically

Even more problematic than ethical conflicts with your supervisor are ethical conflicts with your entire organization. Here are some guidelines for coping with such situations.

1. **Evaluate the potential damage the unethical behavior can cause other parties.**
   The more severe, the more imperative it is you stand up and take action.

2. **Weigh the potential consequences to your organization against the severity of the infraction.**
   Some questionable actions are more serious than others. If no outside party suffers significant damage from a questionable action, but whistle-blowing would destroy your company and leave thousands unemployed, keep this in mind when deciding your course of action.

3. **Weigh the potential consequences to yourself against the potential damage to other parties.**
   If no one is seriously harmed by a minor violation of ethical codes, but you would lose your job and your family would starve, the imperative for you to act is lessened.

4. **Weigh the short-term consequences against the long-term consequences.**
   Short-term consequences might be trouble at work, damage to your career, or even the loss of your job. How does this compare with long-term consequences, such as living with an immoral decision or the knowledge that you could have prevented a catastrophe but didn't? An example might be whether to leak to the media data the company is covering up, such as the fact that a specific medical product is causing diseases not listed on the warnings and side effects on its label.

5. **Start on a micro level before escalating to a macro level.**
   Going to the *New York Times* or *60 Minutes* should be the last step, not the first. Begin by talking with your boss or, even better, a trusted colleague within the organization. Consult human resources or the ethics officer, if your company has one. Get others involved and seek their opinions. Act wisely, not brashly—one step at a time.

Take a Moment

Have you ever worked for an employer that you believed engaged in unethical actions? What did you do? Would you handle the situation differently today? If so, how?

Chapter Summary

The best strategy for dealing with a superior is to *treat him or her as a customer.* If you treat your manager or supervisor as a customer, you'll automatically give her a level of honesty, commitment, respect, and service she'd consider desirable.

How much information should you give your manager or supervisor? Follow these guidelines:

- Give warning about upcoming problems.
- Be honest.
- Consider the welfare of others.
- Protect your rights.

If a manager or supervisor asks you do to something that you think might be unethical, use the following questions to analyze the situation before acting.

- What are the criteria for ethical decisions?
- Are these criteria valid?
- Does the action or policy provide optimal benefit to all parties?
- Does the action value the rights of all parties?
- Does the action fit your sense of values?

- What are the possible consequences?
- Is a law or company rule in danger of violation?
- Do you have the authority to take action?
- Is the action or policy appropriate?
- Are there any special factors?

What should you do if you think your organization is involved in unethical behavior? Follow these five steps:

1. Evaluate the potential damage the unethical behavior can cause other parties.
2. Weigh the potential consequences to your organization against the severity of the infraction.
3. Weigh the potential consequences to yourself against the potential damage to other parties.
4. Weigh the short-term consequences against the long-term consequences.
5. Start on a micro level before escalating to a macro level. Consult human resources or the ethics officer, if your company has one. Get others involved and seek their opinions.

Self-Check: Chapter Four Review

Answers to these questions appear on page 107.

1. The best strategy for dealing with your manager or supervisor is to treat him or her as a

   ______________________________________.

2. What are the four ground rules for providing information to your supervisor?

   a. ______________________________________

   b. ______________________________________

   c. ______________________________________

   d. ______________________________________

3. What should you do if a supervisor asks you a question you don't care to answer because it is illegal, overly personal, or unrelated to your job?

   ____

4. What should you do if a manager or supervisor directs you to do something that you know is against the law?

   ____

5. You have discovered an ethical violation within your organization that you would like to see corrected. How should you begin to deal with the situation?

   ____

   ____

Notes

Chapter *Five*

Dealing Ethically with Coworkers and Colleagues

Chapter Objectives

- ▶ Establish guidelines for fair treatment of colleagues.
- ▶ Respond appropriately if you are treated unethically.
- ▶ Set team values.

On some levels, relating to coworkers and colleagues can be simpler than relating to superiors or subordinates. After all, your peers don't have the power to promote or terminate you, and you are not responsible for evaluating and rewarding them. But your relationships with your colleagues still involve a variety of ethical considerations, including:

- Treating coworkers the way you'd want to be treated.
- Establishing your values as a team.
- Dealing with instances of unethical behavior.

Treating Coworkers with Courtesy

Your coworkers and colleagues deserve the same fair treatment you hope to receive in the workplace. You might think of your relationships with coworkers as requiring a combination of common courtesy and common sense. Some basic guidelines include:

- **Listen to and respect coworkers' ideas and opinions.** No one likes to be ignored, interrupted, or put down without a fair hearing. Try to understand where your coworkers are coming from, even if you don't always agree with them.

- **Support coworkers' projects.**
  As more and more companies adopt a team approach to management, the days of viewing coworkers as competitors are numbered. Assist your coworkers with their projects, and share organizational resources.

- **Give coworkers credit for their ideas.**
  You wouldn't like it if someone stole one of your ideas and passed it off as his own; don't do the same thing to others.

- **Respect coworkers' feelings, especially regarding language and humor.**
  Today's workplace is diverse. Avoid using expressions or telling jokes that might offend a coworker of another ethnic group, religion, or gender.

- **Do not discriminate against coworkers on the basis of their race, sex, appearance, or religion.**
  Discrimination is never ethical, and it's also illegal. Do not engage in it, and do not allow others to engage in it either. If you see an incident of discrimination, report it to your manager or your human resources department.

Avoid using expressions or telling jokes that might offend a coworker of another ethnic group, religion, or gender.

Take a Moment

Do you agree with these guidelines for relating to your coworkers? Do you think you currently practice them? Are there any areas where your behavior toward coworkers could use improvement?

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____

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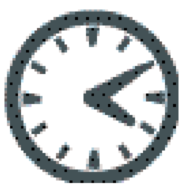


These guidelines can provide you with a good beginning for fair treatment of your coworkers and colleagues. But they are just that—a beginning. Because you and your colleagues interact within the workplace, you also need to establish how your personal values relate to organizational and team values.

Establishing Team Ethics and Values

In today's workplace, many of us work with colleagues on various teams. Teams allow individuals with a variety of perspectives and skills to combine their talents to solve problems and create new ideas. In that way, teamwork can be more productive—and more fulfilling—than working alone. But working as part of a group presents its own special challenges.

Identifying team values can help the team determine how it will meet goals and provide the team with direction for making ethical decisions.

In order to work together effectively, team members need to establish guidelines for how they will relate to each other. This often includes the need to identify a shared set of team values that can be incorporated into a values statement. Identifying team values can help the team determine how it will meet goals and provide the team with direction for making ethical decisions.

Dennis T. Jaffe, a principal of Changeworks Solutions, gives the following guidelines for making sure the values of teams and their members are compatible:

Step 1: Define personal values.

Begin to establish team values by identifying personal values. Start by having team members list their personal values and sort them into the categories *very important, somewhat important,* and *less important* to indicate how central each value is in their work or personal life. If some members feel that *all* of their values are *equally* important, ask them to think of specific examples of how each value currently applies to their lives. If they can't think of specific examples, the value probably isn't a high priority.

Step 2: Share personal values with the team.

After team members identify their values, they share them with the team. Each member places a name tag at the top of his or her value list. Then the group walks around the room looking at everyone's list, without commenting. Next, each participant chooses the person with the most similar values and has a discussion with that person on those values. The goal is for people to clarify together which values are central to their shared work.

Step 3: Determine which values are shared.

After a few minutes of discussion, each team member identifies the top five values she or he wants expressed at work. Members then read the first value on their lists, which the meeting facilitator puts on a flipchart. If a value is already on the chart, the facilitator places a check after it. Team members continue with the second, third, fourth, and fifth values on their lists until all values are recorded.

The team then ranks the values in descending order of importance—from the one with the most check marks to those with no check marks. The result is a prioritized list of team values. The team can also cluster similar values and give the clusters names that combine the meanings of the values in them.

Step 4: Create a statement of team values.

The team can now develop a team values statement listing their most important values and how team members express them in their behavior. Some additional questions to consider in creating a team values statement include:

- What do we stand for?
- How do we treat customers?
- What do we mean by ethical behavior?
- What core values are more important to us than profits?
- How do we want to treat each other at work?
- What do we offer employees for their work efforts?
- How do we want to be seen by the outside community?
- What employee attitudes and behaviors do we want to reward?

The team can also identify which values are expressed in the statement but seldom seen in practice. Then members can identify ways they can begin to practice those values. That can be a deep and powerful discussion, but it demands a high level of trust and willingness to raise issues.

Values exercises like this are not only important for team formation but can also provide a foundation for major organizational change. Organizations can draw on team and individual values as they seek to renew their mission and vision statements. Doing so allows an organization to link its values with those of employees, creating a basis for employees' commitment to the work of their organization.

Take a Moment

Identify and rank your personal values as described in step one of the team values process.

If you are a member of a team, invite team members to follow the steps for developing a team values statement.

Coping with Unethical Coworkers

Despite the efforts your organization and team make to develop ethical guidelines, you may encounter a coworker who behaves unethically. Do you have an obligation to prevent coworkers from committing unethical behavior on the job? After all, you both work for the common good of the organization and its stakeholders—customers, shareholders, employees, the community, and business partners—and unethical behavior usually works against organizational goals over the long term.

But this obligation conflicts with the widely held belief, ingrained in us since childhood, that it's wrong to be a "tattletale." Whistle-blowers—employees who report unethical or illegal acts of an organization to protect the public or another group of innocents—may be doing the right thing, but they are often shunned by their colleagues and the very public they sought to protect.

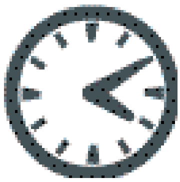
With this in mind, your reaction and response to unethical behavior you observe has to be based on the severity of the act and its consequences—to you, the group those actions may harm, and the coworkers or organization you'd be reporting. Consider the following example:

- You and a coworker are responsible for disposing of toxic waste at a manufacturing plant. One day, you learn that whenever your coworker is running behind schedule, he dumps the waste in a nearby river instead of taking it to the proper disposal site several miles away. You know that the river provides water for local communities, so his actions could endanger the health of local residents. What should you do?

The ethical response in this situation is clear. Your coworker's actions threaten the health of the entire community and could also result in heavy fines for your plant. You have a responsibility to report your coworker to your manager or human resources department. But what about this second example?

- You work in a government agency, and you and a coworker recently designed a new brochure. Your agency requires you to use recycled paper for printing projects, and the brochure says, "printed on recycled paper." However, when the brochure comes back from the printer, you realize that new paper was used by mistake. Your coworker says not to worry about it—no one will notice anyway. How do you handle the situation?

The second example is a little trickier. You don't want to distribute a misleading brochure. On the other hand, reporting your coworker for advising you to ignore the problem would ruin your working relationship and possibly damage his career—more serious consequences than the situation warrants. One solution could be to tell your coworker that you're going to talk to the printer; then see if the printer can make a slip to insert in the brochures that corrects the misinformation.



Take a Moment

Have you ever witnessed a coworker commit what you considered an unethical act? How serious was the act and what, if anything, did you do about it? Would you respond the same way today?

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Dealing with Adversaries

You usually gain the greatest benefit by treating people as fairly and courteously as possible.

However hard you try to get along with coworkers, you may encounter some who treat you as an adversary. How should you respond? Is it ethical to treat adversaries differently than allies? Maybe. But aside from purely ethical considerations, you usually gain the greatest benefit by treating people as fairly and courteously as possible rather than by being difficult, mean, or unfair.

Most of us go out of our way to extend kindness and special courtesies to our friends. No one expects you to go similarly out of your way to accommodate strangers (although doing so is considered particularly virtuous)—and especially not adversaries. But at the same time, going out of your way to harm adversaries rarely pays off; it usually just escalates the conflict. The bottom line: Don't step on people. Treat everyone ethically. Go the extra mile for special relationships.

Fortunately, adversarial relationships among coworkers are the exception rather than the norm in most workplaces. Following the guidelines described in this chapter can help you maintain good relationships with your colleagues so that your organization remains a pleasant place to work.

Chapter Summary

Your relationships with your colleagues involve a variety of ethical considerations, including:

- Treating coworkers the way you'd want to be treated.
- Establishing your values as a team.
- Dealing with instances of unethical behavior.

You can treat coworkers with the same type of courtesy you'd appreciate by:

- Listening to and respect coworkers' ideas and opinions.
- Supporting coworkers' projects.
- Giving coworkers credit for their ideas.
- Respecting coworkers' feelings, especially regarding language and humor.
- Not discriminating against coworkers on the basis of their race, sex, appearance, or religion.

Because you and your colleagues interact within the workplace, you also need to establish how your personal values relate to organizational and team values.

In order to work together effectively, team members need to establish guidelines for how they will relate to each other. This often includes the need to identify a shared set of team values that can be incorporated into a values statement. You can create a team value statement by following these steps:

1. Define personal values.
2. Share personal values with the team.
3. Determined which values are shared.
4. Create a statement of team values.

Despite the efforts your organization and team make to develop ethical guidelines, you may encounter a coworker who behaves unethically. Your reaction and response to unethical behavior you observe should be based on the severity of the act and its consequences—to you, the group those actions may harm, and the coworkers or organization you'd be reporting.

However hard you try to get along with coworkers, you may encounter some who treat you as an adversary. How should you respond? Going out of your way to harm adversaries rarely pays off; it usually just escalates the conflict. Treat everyone ethically.

Self-Check: Chapter Five Review

Answers to the following questions appear on page 108.

1. Complete the following sentences:
   a. Listen to and respect coworkers' ____________ and ____________.

   b. Support coworkers' ____________.

   c. Give coworkers ____________ for their ideas.

   d. Respect coworkers' ____________, especially regarding language and humor.

   e. Do not discriminate against coworkers on the basis of their ____________, ______________, ______________, or _________________.

2. A team's values are derived primarily from
   a. The team leader.
   b. The team members.
   c. The employee manual.
   d. The organizational mission statement.

3. What are the four steps to defining team values?

   a. ____

   b. ____

   c. ____

   d. ____

4. True or False?
   You should immediately report *any* ethical violation that you witness to your supervisor.

5. True or False?
   You usually gain the greatest benefit by treating everyone, even adversaries, fairly.

Chapter *Six*

Dealing Ethically with Customers and Clients

Chapter Objectives

- Avoid making false claims or overpromising results.
- Maintain standards of safety and quality.
- Establish guidelines for ethical customer service and client relations.
- Deal with issues of confidentiality and exclusivity.

Whether you work for a business, a government agency, or a nonprofit group, customers and clients are the lifeblood of your organization. Even if you don't work directly with the public, your actions affect the product or service your organization provides.

Customers and clients recognize and appreciate ethical treatment.

Customers and clients recognize and appreciate ethical treatment. Organizations that are truthful about their products and treat customers with fairness and respect build loyalty and enjoy repeat business.

In this chapter, we'll consider ethical questions related to:

- Marketing and promotion.
- Prospecting and selling.
- Manufacturing, safety, and quality.
- Packaging.
- Customer service.
- Confidentiality and exclusivity.

Ethics in Marketing and Promotion

Aside from environmental compliance, the area where corporate ethics are most often questioned is in advertising and selling. The concern arises when advertising claims border on deception.

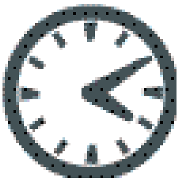
In most fields, advertising and promotions aren't legally required to—and therefore don't—disclose complete product information. One exception is pharmaceutical advertising, where advertisers must follow FDA guidelines that require complete package information to accompany every ad. Advertisements for stockbrokers are similarly highly regulated by the SEC.

But the advertising for most products is not as tightly controlled. Therefore, advertisers and their ad agencies make a conscious decision to include some product facts and omit others. To fit their message in the space available in an ad or TV commercial of a certain size or length, they emphasize some product attributes in more detail than others.

Emphasizing the Positive

Naturally, if your job is to write copy to sell the product, you emphasize the positives and downplay or omit the negatives. The degree to which you can do this is an ethical question without sharply defined rules and regulations. Opinions vary. Consumer advocates would recommend full disclosure, but if Company A follows this practice and company B does not, Company B has an unfair advantage and may eventually put Company A out of business.

What constitutes an acceptable level of hype or puffery in advertising is determined by the advertiser's corporate ethics, consumer reaction, regulatory watchdogs—and ultimately the courts. A working guideline is to produce advertisements as strong and forceful as those for competing products without deceiving consumers into making an unwise purchase or offending their morals.



Take a Moment

An advertising photographer specializing in food shots once revealed a trade secret to me: to make chunky-style soups, chilis, or stews look chunkier, he put marbles in the bottom of the bowl. These marbles pushed the chunks to the surface, making the chunky meal look even chunkier.

If the photos still don't make the soup look chunky enough, the art director for the ad agency digitizes the photo and manipulates it on the computer to make the soup look thicker and richer.

What's your reaction to this? Is it ethical? Unethical? Why?

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For Further Reading:

Leighton, Richard J. and Alfred S. Regnery, *U.S. Direct Marketing Law* (Libey Publishing Inc.)

Posch, Robert Jr., *The Complete Guide to Marketing and the Law* (Prentice Hall).

Ethics in Prospecting and Selling

Advertising copywriters and direct marketers are not the only ones accused of hard-selling consumers and customers. Many of us have experienced talking with a salesperson we felt was unduly pressuring us. If that pressure is applied at unreasonable levels, especially to susceptible audiences such as the poor or elderly, it can make the transition from merely unpleasant to potentially unethical.

One of the industries with a tradition for the hard sell among its salespeople is stock brokerage. The result is a fair number of investors who feel they have been swindled. In fact, according to an article in the *Bergen Country Record,* in 1996 approximately

6,700 investors filed complaints against brokerage houses. Most of these cases are settled through arbitration. The *Record* article noted that many brokerages required new customers to sign a form when opening an account that specifies who the arbitrator will be in case a dispute arises. These clauses allegedly prevent the use of certain arbitrators that tend to find *for* consumers and against the investment firms—thus stacking the decks in the brokerages' favor.

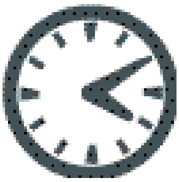
Following the Golden Rule in Sales

Both in financial services as well as other industries, salespeople have a tough job. They have quotas to meet and fierce competition to contend with. They are trained in countless seminars to be enthusiastic, persistent, and optimistic. The Golden Rule provides guidance here: If you sell, think about your offer. You're pushing prospects to accept a certain proposition they're not sure about. You want them to accept it. But should they? If you were in their shoes, would you be served well by buying the package you want them to buy?

If you sell, think about your offer.

High-pressure salespeople—whether high-pressure by nature or seemingly forced into that behavior by circumstance—tend to want to close every prospect on every sale. Other salespeople prefer to concentrate on selling to those prospects who are the right fit for the offer, providing a solution that best fits each customer's needs. If what they have to offer the customer isn't right for the customer, they back off or at least refer the customer to someone else who can better meet their needs.

The high-pressure salesperson would say such an accommodating approach is weak and hurts sales. The salesperson who practices it might tell you it helps sales, prevents wasted time and customer dissatisfaction, and enhances the seller's reputation in the marketplace.



Take a Moment

You are a commodities broker. The market is overvalued, sales are down, investors are wary. Your younger colleague, Gary, is in danger of not making his sales quota, which could lead to termination.

Your desk is near Gary's. You hear him encourage a client who has never traded commodities to buy a particular futures contract that, in your opinion, is risky and inappropriate for a small, first-time buyer.

Is this an ethical dilemma for you? Do you say anything to Gary? What? Is this any of your business? After all, you were eavesdropping. What is your responsibility here?

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Ethics in Product Manufacturing, Safety, and Quality

At first glance, determining what is ethical in manufacturing, safety, and product quality seems simple and straightforward: Make good, safe products that won't harm the consumer or the environment.

Yet according to a survey from the American Society of Chartered Life Underwriters & Chartered Financial Consultants, workers said cutting corners on quality control was the area where unethical and illegal behavior most often occurs.

Cigarettes, for instance, have been proven to cause cancer. Yet making and selling cigarettes is legal. Is it unethical? Is everyone working in the tobacco industry an unethical person?

What about alcohol? Liquor is not inherently bad. Some recent studies even suggest health benefits from an occasional glass of scotch, beer, or wine. Yet many people die of alcohol-related disease each year or from auto accidents involving drunk drivers. Many people become addicts. With so many consumers harmed, directly through alcohol-related illness and indirectly through drunk driving and other alcohol-induced accidents, is it morally acceptable to trade in liquor?

At least once in U.S. history—during Prohibition—we found trading in liquor so reprehensible we banned it. Do we accept the liquor industry today because Prohibition was an unfair restriction of free trade, or simply because Prohibition had a noble goal but was ineffective in practice?

Manufacturers need to make an ethical judgment about two issues:

- **Whether the product they're selling should in fact be sold**
  An executive with a tobacco company must answer the question "Is it okay for me to be involved with the selling of a product that could affect people's health?"
- **Whether their particular brand or offer is good for consumers**
  An executive with a manufacturer of discount safety products must answer the question "Is it okay to sell lower quality safety products, or am I endangering others by marketing second-rate goods for critical functions?"

What Is the Customer's Responsibility?

There is an operating principle in commercial transactions that lifts some of the ethical burden off your shoulders as a seller: *caveat emptor*, or buyer beware. It says consumers share responsibility with the seller in making sure the transaction is favorable to them. Buyers are expected to shop with their eyes open and not allow themselves to be victimized.

Sellers should represent their products enthusiastically but honestly.

Sellers should represent their products enthusiastically but honestly. Sellers need not highlight minor weaknesses; the consumer is responsible for proactively shopping around and making comparisons. Yet the seller is obligated morally—and in some industries legally—to disclose major defects and flaws. In real estate, for example, the seller is required by law to notify prospective buyers of any major defects in the building of which the seller is aware. Mutual funds have traditionally had to give full product disclosure by providing investors with a detailed prospectus (new laws may in the future allow mutual fund investors to buy based on a summary rather than a complete prospectus).

An HBO original movie, "Breast Men," told the story of two doctors who pioneered silicon breast implants. In the film, the characters, because of financial pressures and business obligations, continued to promote the silicon implants and deny the products could be harmful long after they knew better. Surprisingly, they were portrayed somewhat sympathetically for doing so—human beings who were, after all, only human.

But the field of ethics says just because something is convenient doesn't make it justifiable. Often, taking the ethical path is the most difficult and costly path—but that does not mean you are not obligated to take it anyway. As Stephen Carter states in his book *Integrity* (Basic Books), "The person truly living an integral life must be willing to say that he or she is acting consistently with what he or she has decided is right."

Take a Moment

A customer pays you twice for a single $1,000 invoice and is not aware of the error. You are a small vendor and they are a big, rich organization. Also, in the past, they have nickel and dimed you over every contract, purchase order, and bill, costing you far more than the extra $1,000 they now paid you. What do you do?

Ethics in Product Packaging

Advertising, selling, marketing, public relations, quality control, product defects—these are the ethical dilemmas that most often make the headlines. But there are other, more subtle areas of business that, while less widely publicized, still have ethical considerations for responsible manufacturers to evaluate. One such area is product packaging.

A doctor in my town told me of a complaint he had with a manufacturer of a popular antidepressant he frequently prescribes to his patients:

- Many of my patients are self-pays, not covered by insurance. Many depend on this medication to live a normal life. The largest capsule size is 20 mg, so patients who take 80 mg—a typical dose—pay for multiple pills and their prescription costs are astronomical. When I asked the sales rep from the pharmaceutical company if they could make a cheaper 80 mg capsule, he shrugged and said most people are covered by insurance so the cost of the drug didn't matter. But for my patients, it does.

This doctor feels the company is unethical to deliberately package the product so consumers who are larger-volume users (80 mg a day) are financially penalized. One could argue that these volume users, who are the firm's best customers, should receive a *discount* because they spend so much (a year's prescription for an 80 mg a day patient runs about $3,600). The manufacturer has a virtual monopoly on this product and doesn't feel especially compelled to accommodate users.

Another ethical packaging issue is the well-publicized case of Microsoft, now in review as of this writing. The Justice Department claimed that by including its Explorer Web browser in its Windows operating system, Microsoft was "forcing" consumers to buy Explorer, creating a monopoly and unfair competition against Netscape and other browser makers. Microsoft countered that it was actually giving its customers a benefit by adding more functionality and value to Windows, and that if a customer wanted to buy Netscape, no one was stopping him or her from doing so.

When determining whether a packaging decision is ethical, ask yourself the following questions:

- Is all the copy on the package—even the fine print—true?

- Do photos mislead consumers as to the actual size of the item inside? (One company selling nutritional supplements showed a small pill with the caption "easy to swallow," but the actual tablets were much larger and difficult to swallow.)

- Are drawings realistic or do they take too much liberty and not represent reality?

- Does the package clearly spell out what items (batteries, parts, adapters, controls, screws, tools, accessories) are included and which must be purchased separately in order to assemble or operate the product?

Take a Moment

1. To boost sagging profit margins, a detergent manufacturer puts its powdered detergent in a slightly bigger box, but actually reduces the contents by an ounce. The new weight is represented accurately on the label. Is this ethical? (The price per ounce does not change with the new packaging.)

2. A consultant offers to provide an exclusive program for Customer X for one year. Eleven months into the contract, the customer is satisfied but has not decided whether to extend the lucrative contract.

   Concerned about loss of such a large portion of his income, the consultant approaches other companies about providing them with similar services. To his good fortune, he gets an immediate response from a competitor of Customer X—Customer Z—who wants to hire him to provide similar services. The one problem,

Continued on next page

Take a Moment *(Continued)*

however, is that they will only agree to the contract if he starts within two weeks. This would mean a two-week overlap of the two contracts.

Customer X seems to have exhausted its need and will probably not require the consultant's services within the last month of the contract. This lack of need also indicates to the consultant they are unlikely to renew. Yet, technically, he is under exclusive contract to them for one more month, and he violates that contract if he starts with Customer Z. But Customer Z says, "If you can't start right away, we'll use someone else." What should the consultant do?

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Turn to page 108 for a discussion of possible answers.

Ethics in Customer Service

Customer service ethics are somewhat straightforward. Customers pay for value. They choose to buy from you because they believe and expect they will receive value for the price they paid. Therefore, the seller is ethically obligated to render to customers the service and provide the value they expect.

Customers buy from you because they expect they will receive value.

Further, customers choose you instead of your competitors because they expect the value you provide to exceed the value they would get from those other vendors. In effect, your ethical obligation is not just to deliver to buyers their money's worth, but to give them more than their money's worth—more than your competitors would have given had they made the sale.

One can therefore argue that any seller who doesn't give his or her best possible effort toward the customer is cheating the buyer. Certainly, anyone who knowingly and deliberately renders inferior service is operating, at best, around the borderline of ethical business behavior.

The word *ethics* is not a synonym for honesty, but ethical businesspeople are honest with their customers. The unscrupulous mechanic who recommends an engine rebuild when the problem is only worn spark plugs is a prime example of a businessperson practicing unethical customer service.

Take a Moment: The Case of the Busted Briefcase

When my 24-year-old briefcase fell apart an hour before I had to leave town to give a speech at a convention, I had to rush out and buy a new one. Not having the luxury of time, I bought an expensive leather briefcase for much more than I wanted to spend because it was the only one in the store that was the right size for me. I packed my speech and other papers in the briefcase without locking it (since I didn't have time to set a combination) and got on the plane.

When I tried to open the briefcase the next morning to get my speech, I couldn't: Somehow, it had locked! I called the store where I purchased it, but their voice mail told me that by the time they opened, my speech would be over. I would have to bust the case open. But I hesitated. It had cost $200. If I destroyed it to open it, would the store refund my money or replace it with a new briefcase? Or would they tell me the warranty didn't cover that type of deliberate damage? (I couldn't know since the warranty was locked inside the case with my speech.)

What would you have done in my position? If you had to ruin the case to get your speech out, what would the store's obligation be to you as a customer? Does it make a difference that the briefcase is an expensive one?

The Ethics of Confidentiality

Businesspeople, especially consultants, often ask questions like this regarding confidentiality:

- Our customers often share proprietary data with me. Even though I don't show their data to anyone else, I gain a lot of insight and knowledge that can help me win, serve, and retain other accounts. Is it wrong to employ what I have learned in the service of one customer to benefit my business by winning and satisfying other customers in the same, related, or even dissimilar businesses?

If you have signed a confidentiality agreement, you are obligated to abide by all conditions stated in that agreement. In every case, you should not share proprietary customer data with any of your other prospects or customers.

All of us, however, gain general knowledge from every experience we have, and you have a perfect right to serve new customers or employers better as a result of wisdom, experience, and information gained from serving existing and past customers.

After all, your existing customers benefited from the expertise you brought to the table to serve their needs—an expertise that you gained from work done with clients before them.

If the signed confidentiality agreement prohibits you from working for direct competitors, then you can't. If no such agreement exists and a direct competitor approaches you, use the Principle of Permission to resolve the ethical dilemma. Ask Client A if there's any reason they wouldn't want you to work for Client B. If they object and Client A is an important account, pass on Client B.

The Ethics of Exclusivity

Is it ethical for a vendor serving Company A to also service Company B if A and B are direct competitors? It depends on the relationship between the vendor and its client and the strategic importance of the relationship (and the products or services it helps deliver) to the client's business.

If the product is a commodity—fasteners and connectors, nuts and bolts, computer disks and laser cartridges—the supplier doesn't offer its customers a strategic advantage. Therefore, it shouldn't and doesn't matter to Fred's Bank that John's Bank across the street gets its deposit slips and checks printed from the same local printer who does Fred's printing.

On the other hand, suppose ABC Chemicals has forged a strategic alliance with Company X to supply a raw ingredient vital to ABC's processing plants. ABC now depends on reliable on-time supply of the ingredient to keep plants operating and prevent costly down time. A run-out or missed delivery could shut down a production line and cost thousands of dollars per hour.

To meet ABC's requirements, Company X has dedicated a number of resources, including production facilities and distribution systems, to ensuring reliable delivery to ABC, which is by far its largest user of the ingredient. Now Company DEF, another chemical company that uses large volumes of the same ingredient ABC buys (but in a slightly different process), wants to buy from Company X. What should X do?

If production and distribution resources can be effectively shared without adversely affecting X's ability to continue to fully and promptly meet ABC's needs, then X can accept a contract from DEF. But if adding DEF as a customer would strain production capacities and overburden the distribution system, resulting in a significant increase in the risk of missing an ABC shipment, X should turn away DEF and focus on meeting its commitment to ABC.

How can company X ethically turn company DEF's interest in X's services to their advantage? When it is time to renew ABC's contract, salespeople for X can use DEF's interest as legitimate leverage to negotiate a handsome price increase in exchange for exclusivity, or to gain flexibility with a contract that allows X to service both DEF and ABC.

Take a Moment

1. A professional association books you as a speaker at their upcoming annual meeting for an honorarium of $1,000. A week later, a corporation calls and wants you to give a seminar at their upcoming sales meeting, on the same date, for $4,000. What do you do?

2. Is it wrong to tell white lies or not reveal the whole truth in the midst of price negotiations with a potential buyer?

Chapter Summary

Customers and clients recognize and appreciate ethical treatment. Organizations that are truthful about their products and treat customers with fairness and respect build loyalty and enjoy repeat business.

Marketing and Promotion
The area where corporate ethics are most often questioned is in advertising and selling. What constitutes an acceptable level of hype or puffery in advertising is determined by the advertiser's corporate ethics, consumer reaction, regulatory watchdogs—and ultimately the courts. A working guideline is to produce advertisements as strong and forceful as those for competing products without deceiving the consumer into making an unwise purchase or offending their morals.

Prospecting and Selling
Selling carries its own set of ethical dilemmas. Salespeople have quotas to meet and fierce competition to contend with. Yet they should still follow the Golden Rule. If you sell, think about your offer. If you were in your customers' shoes, would you be served well by buying the package you want them to buy?

Safety and Quality
When considering issues of safety and quality, manufacturers need to make an ethical judgment about two issues:

- Whether the product they're selling should in fact be sold
- Whether their particular brand or offer is good for consumers

Consumers share responsibility with sellers in making sure any transaction is favorable to them. Consumers are expected to shop with their eyes open and not allow themselves to be victimized. This is the principle of *caveat emptor.*

Customer Service

Customer service ethics are straightforward. Customers pay for value. They choose to buy from you because they believe and expect they will receive value for the price they paid. One can therefore argue that any seller who doesn't provide the best service possible is cheating the customer.

Propriety Data

You should never share proprietary customer data with any of your other prospects or customers. All of us, however, gain general knowledge from every experience we have, and you have a perfect right to serve new customers better as a result of experience gained from serving existing and past customers.

Exclusivity

Is it ethical for a vendor serving Company A to also service Company B if A and B are direct competitors? It depends on the relationship between the vendor and its client and the strategic importance of the relationship (and the products or services it helps deliver) to the client's business.

Self-Check: Chapter Six Review

Answers to these questions appear on page 109.

1. Which of the following is acceptable in advertising?
   a. Colorful language
   b. Persuasive arguments
   c. Selective presentation of product attributes
   d. All of the above

2. What does *caveat emptor* mean?

   ____

3. Any seller who doesn't provide the best ____________ possible is cheating the customer.

4. True or False?
   It is always wrong for a consultant to reveal proprietary information about a client.

5. True or False?
   It is always wrong for a vendor to deal with direct competitors of any of its existing customers.

Chapter *Seven*

Dealing Ethically with Vendors, Partners, and Competitors

Chapter Objectives

- Get maximum value from your vendors while maintaining their satisfaction with the relationship.
- Maintain a good working relationship with partners.
- Determine the boundaries of actions and practices taken against competitors.

In our final chapter, we'll consider your relationships with vendors, partners, and competitors. How you treat each can have a dramatic effect on your organization's success and your reputation as a businessperson.

Ethics in Dealing with Vendors

At first glance, ethics in dealing with vendors may seem like a nonissue. After all, you're the customer. You're in control. They need you more than you need them. You're spending your money; it's their job to make you happy.

But the Principle of Reciprocity demands that you show a basic level of consideration to vendors. Just because you have power and dominance in the relationship doesn't mean you should exert it to an undue degree.

Customers who treat vendors well receive superior service in return.

On a more practical level, vendors are not just companies; they are companies run by people. People remember how you treat them and act accordingly. Customers who treat vendors well receive superior service in return. So from a selfish standpoint, being ethical and fair with your vendors is to your advantage as a buyer.

Getting It in Writing

The simplest way to ensure fair treatment in the buyer/seller relationship is through a clearly written contract, purchase order, or letter of agreement. The agreement should spell out who does what, when, and for what price and terms. It should also identify potential problems and what is to be done if such problems arise.

The simplest way to ensure fair treatment in the buyer/seller relationship is through a clearly written agreement.

Both parties should read and sign any agreement, and each should have a copy. This prevents complaints later on that the vendor or supplier didn't get the contract or didn't read it. In your own contracts, avoid fine print and write everything plainly in large type. If you sign someone else's contract, be aware that "I didn't read the fine print" is not a valid excuse to wiggle out of a term or obligation; your signature or acceptance implies you agree to everything as written, unless you specifically state otherwise in a separate letter or supplement.

Be sure everyone understands that the agreement is binding on both parties. Clarify whether it represents a quote or an estimate. An article in the newsletter *Overcoming Objections* states that a *quote* implies a fixed price that the customer expects not to be exceeded. An *estimate* refers to an educated guess that may vary as work commences.

Avoiding Conflict

The most common reason for conflict between vendors and customers is not because of unethical behavior but because certain conditions or actions were not anticipated and therefore not covered in the working agreement. Any time there is a gray area in an agreement, one party will feel the other party has taken unfair advantage of it. Getting rid of these gray areas before you start working prevents most misunderstandings.

When giving a vendor a go-ahead on an estimate, insert clauses to prevent problems and misunderstandings. For example, you can specify that cost overruns exceeding a certain percentage of the estimate must be approved in writing or that all changes to the original work outlined in the estimate must be put in a written change order.

Vendors should understand that, until a price is negotiated and an agreement is signed, customers don't owe them anything for any work they've done toward closing the deal. Even if the vendor has prepared elaborate recommendations and spent a lot of time up front assessing needs and tailoring a proposal, the customer doesn't owe the vendor a penny unless the customer specifically agreed, in advance, to pay for proposal and recommendation preparation.

Customers aren't obligated until they've actually hired the vendor.

Many vendors tell me they feel "cheated" when a prospect asks for a detailed proposal or has the vendor attend numerous sales meetings, then doesn't buy. But customers aren't obligated until they've actually hired the vendor. The vendor can choose whether to participate in any given bid competition or, if the up-front sales effort is too much, to walk away.

Are All Vendors Equal?

Should volume of business and duration of relationship affect how you treat your vendors? Should you treat a small vendor differently than a large vendor because the small vendor is dependent on your continuing patronage for survival? Should you treat a long-time vendor more favorably than a new vendor because of some sense of loyalty based on the longevity of the relationship?

The answer is, you can—but you don't have to. As the customer, you have the right to spend your money according to your best judgment. That means vendors are obligated to provide a level of service, quality, and price that meets your needs. If they don't, you have the right to look elsewhere. Indeed, you're obligated to do so, to fulfill your role as a good purchaser for your employer.

You can favor a small vendor or one with whom you've had a long-time relationship as long as it doesn't interfere with your primary obligation to your employer to be a good purchaser. But you are not obliged to do so.

Take a Moment

You hire a graphic designer to design a brochure and find a trophy for an awards program. You like the brochure, but not any of the awards she has found. Then you meet a firm that sells just the exact trophy you want. Do you buy it from that firm or go back to the graphic designer and have her order it for you so she can get her commission? After all, she's spent considerable time on the trophy search and won't make a dime unless you buy from her.

Provide your own answer in the lines below; then read the discussion on page 109.

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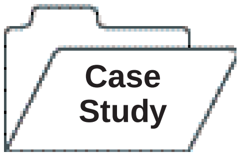
Ethics in Dealing with Business Partners

The dictionary definition of partnership is "a contract entered into by two or more parties in which each agrees to furnish a part of the capital and labor for a business enterprise, and by which each shares in some fixed proportion in profits and losses." Today partnership can imply varying degrees of long-term relationships between two equal partners or a relationship between a corporate customer and a particular supplier.

Most partnerships have written agreements that spell out each party's obligations and compensations. Since you and your partner have both signed it willingly, the Principle of Permission says it's ethical to exercise any clauses or conditions to which you've both agreed.

In a partnership, partners act for the mutual benefit of the partnership as well as for the individual gains of each party.

In a partnership, partners act for the mutual benefit of the partnership as well as for the individual gains of each party. If it's an equal partnership, such as a joint venture, team ethics apply, and partners should not take an action that benefits them privately if it hurts the other partners. If the partnership is one in which one partner is the customer and the other the supplier, the customer's needs are primary, the vendor's secondary.



Case Study: Partners

Situation:
Joe and another vendor, Roger, are partnering to provide service to a new customer. At a meeting in which Roger is not present, the customer asks Joe for some additional services beyond what is specified in the contract, offering an additional $10,000 in payment.

The profit margin on these services would be high, and Joe could provide them on his own; Roger is really not expert in this particular area. Yet the handshake agreement between Joe and Roger says they will fairly split all revenue from the account, since they both put equal effort into winning the business in the first place. The client has told Joe, "Handle it however you want; I don't care," and wants to know to whom he should make the $10,000 check. Joe gets along with Roger, but he suspects Roger might take advantage of him if the situation were reversed. What should Joe tell the client?

Solution:
Write down the various options. Analyze each against the ethical standards presented in this book and your own judgment. What alternative is the right one for Joe to take? Why? After writing your answers, turn to the discussion on page 109.

Ethics in Dealing with Competitors

What is acceptable in dealing with competitors—and what is not?

- *Market research*—obtaining competitive intelligence legally through primary and secondary research—is not only considered ethical but also smart business. If you want to introduce a new candy bar, you'd be foolish not to buy and try all the other candy bars before you made yours.

- *Sabotage*—deliberately disrupting your competitors' operations or damaging their plants, offices, or computer systems—is illegal and unethical. Penalties include fines and jail time.

- *Industrial espionage*—obtaining competitive information through spying, stealing, or other illicit methods—is illegal and, despite the overwhelming temptation to do it, unethical as well. "Information is valuable, but it's ethical only as long as you have a right to it," says Norm Augustine, chairman of Lockheed.

- *Stealing employees*—not in the illegal sense of literally kidnapping them, but by recruiting them away from your competitors—is legal and ethical as long as the recruited employee does not violate any employment contract he or she signed with the current employer.

Take a Moment

1. You are at a meeting with a client to make a sales presentation and gather background information to prepare a proposal for them. While you are waiting, you see several photocopies of your major competitor's proposal, open to the price quotation, on the conference table. Do you sneak a look? Do you put one of the copies in your briefcase?

2. You are hired away from your company, BigCo, by a major competitor, VeryBigCo. The first day, your new boss calls you into a conference room filled with VeryBigCo executives and says, "Tell us all of BigCo's secrets." How do you respond?

After you have written your answers, read the discussion on page 110.

Conclusion: A Final Word on Ethics in the Workplace

Throughout this book, we've seen how behaving ethically not only is the right thing to do but also can, in the long run, benefit you in business. However, no one can force you to take the ethical high road. How you live, work, and behave is mostly under your control.

Each time you face a difficult business decision, you can "do the right thing" if you want to—it's up to you. As Lockheed Chairman Norman Augustine observes, "Not only does one have to know the right thing to do—one must also have the moral fortitude to do it."

Chapter Summary

How you treat vendors, partners, and competitors can have a dramatic effect on your organization's success and your reputation as a businessperson.

Vendors and Suppliers
The simplest way to ensure fair treatment in the buyer/seller relationship is through a clearly written contract, purchase order, or letter of agreement. Both parties should read and sign any agreement, and each should have a copy. Be sure everyone understands that the agreement is binding on both parties. Clarify whether it represents a quote or an estimate.

The most common reason for conflict between vendors and customers is not because of unethical behavior but because certain conditions or actions were not anticipated and therefore not covered in the working agreement. When giving a vendor a go-ahead on an estimate, insert clauses to prevent problems and misunderstandings.

Vendors should understand that, until a price is negotiated and an agreement is signed, customers don't owe them anything for any work they've done toward closing the deal. Even if the vendor has prepared elaborate recommendations and spent a lot of time assessing needs and tailoring a proposal, the customer doesn't owe the vendor a penny unless the customer specifically agreed, in advance, to pay for proposal and recommendation preparation.

Should volume of business and duration of relationship affect how you treat your vendors? It can—but it doesn't have to. As the customer, you have the right to spend your money according to your best judgment. That means vendors are obligated to provide a level of service, quality, and price that meets your needs. If they don't, you have the right to look elsewhere. Indeed, you're obligated to do so, to fulfill your role as a good purchaser for your employer.

Partners

In a partnership, partners act for the mutual benefit of the partnership as well as for the individual gains of each party. If it's an equal partnership, such as a joint venture, team ethics apply, and partners should not take an action that benefits them privately if it hurts the other partners. If the partnership is one in which one partner is the customer and the other the supplier, the customer's needs are primary, the vendor's secondary.

Competitors

What is acceptable in dealing with competitors—and what is not?

- *Market research* is considered not only ethical but also smart business.
- *Sabotage* is illegal and unethical. Penalties include fines and jail time.
- *Industrial espionage* is illegal and, despite the overwhelming temptation to do it, unethical as well.
- *Stealing employees* is legal and ethical as long as the recruited employee does not violate any employment contract he or she signed with the current employer.

Self-Check: Chapter Seven Review

Answers to these questions appear on page 111.

1. Purchase decisions should be based on:
   a. Your past relationship with the vendor.
   b. Price, quality, and service.
   c. How much work the vendor put into preparing the quotation.

2. What is the most common reason for conflict between vendors and customers?

3. When should a partner not take an action that benefits him or her alone?

4. Which of the following ***is not*** ethical?
   a. Market research
   b. Industrial espionage
   c. Recruiting competitors' employees

Notes

Answers to Selected Exercises

Chapter One

Chapter Review (page 26)

1. b. Ethics—Rules or standards for moral behavior
   c. Moral—When society as a whole finds a behavior acceptable, permissible, and even desirable
   a. Ethical behavior—Living and acting in conformity with morality

2. The Golden Rule

3. False—Ethical standards are set by society.

4. c. Is it financially sound?

5. True

Chapter Two

Take a Moment (page 35)

Here are some possible courses of action and comments on each:

1. **Do nothing.**
   This option is perfectly ethical, and if you're not obsessed with the idea of starting your own business, this course of action makes sense. Just because an opportunity arises doesn't mean you have to take it. You could concentrate instead on your job, helping your company to protect its market position and share when the patent expires.

2. **Quit your job; then start business planning in earnest.**
   A bit hasty and radical, since you don't know (a) whether the marketplace can accommodate a new vendor and (b) whether you can make a profitable go at it. But, as long as you don't have a noncompete clause in your employment contract preventing you from going into business for yourself, resigning is an ethical way to end your obligation to your employer and free yourself to explore going into business.

3. **Approach a competitor of the firm**.
   Let the competitor know about the pending patent expiration, and offer your services as an employee, consultant, or partner for part of the take. On the one hand, this may seem disloyal—going to the enemy and trying to make a deal for your personal profit. On the other hand, employees interview with competing firms all the time while they are still employed at their current place of business. This is a risky proposition; if your employer finds out what you're doing, you may be fired. And can you in good conscience share your employer's secrets with a competitor while you are on the employer's payroll—and still sleep nights?

4. **Put together quotes for potential buyers your employer doesn't service.**
   Get some feel for whether customers would be willing to deal with you direct as a start-up. This has a lot of the same problems as option #3. It's going behind your employer's back. And as an employee, aren't you obligated to sell the employer's brand when you spend time meeting with prospects?

5. **Tell your boss you've been thinking about going into business making the device.**
   Explain that you'd prefer instead to continue with the firm but as more of a partner than an employee, for a percentage of sales. This might work and is certainly fair to your employer. But it could backfire as a nervous or irate boss sees you as disloyal and takes steps to end your career with the firm before you're ready or committed to having it ended.

Chapter Review (page 40)

1. a. Defining the issue
   b. Gathering data
   c. Listing pros and cons
   d. Checking for legality
   e. Checking the organizational mission
   f. Weighing choices and consequences
   g. Making the decision
   h. Acting on the decision
   i. Living with the decision

2. Choose from:
   - Interviews with involved parties
   - Supervisor memos
   - Customer correspondence
   - Logs and records
   - Reports
   - Complaints
   - Historical data on similar incidents within your organization
   - Legal reviews
   - Third-party opinions

3. True

4. False—Sometimes you have difficulty implementing ethical decisions, but if it is the right thing to do, you need to proceed.

5. True

Chapter Three

Chapter Review (page 54)

1. - The manager or supervisor (you)
   - The employee
   - The organization

2. False—Your hiring process should remain free from personal bias.

3. A maiden name indicates marital status, which should not be considered when making a hiring decision. Also, the practice discriminates against women.

4. c. The performance appraisal should cover only a six-month period.

5. a. Determine the severity.
   b. Focus on the problem, not the employee.
   c. Explain the problem.
   d. Implement appropriate corrective measures.
   e. Create a future expectation.
   f. Put it in writing.

Chapter Four

Take a Moment (pages 59-60)

1. Answer vaguely to indicate the need for a full day off without identifying your religious beliefs, e.g., "We're going to have some of the close relatives and friends over to the house after the funeral to remember Uncle Lou."

2. Probably yes. But do it in total privacy. Indicate that the complaints are from others ("some customers have mentioned to me that . . .") rather than from you ("your breath stinks").

Take a Moment (page 62)

Assume the boss isn't aware that the gifts cost that much or that he is violating the company policy. In private, give a gentle reminder phrased as a question that will get the point across without seeming to accuse him of wrongdoing, e.g., "Do you think it's possible that the stereo XYZ gave you for the office costs more than $25? Should we give it back because of company policy?"

Chapter Review (page 66)

1. Customer

2. ◆ Give warning about upcoming problems.
   ◆ Be honest.
   ◆ Consider the welfare of others.
   ◆ Protect your rights.

3. One possible response is to give a brief, general answer that contains enough information to constitute a polite response while not being specific enough to violate your privacy.

4. If an action violates the law, don't do it.

5. Consult with human resources or your organization's ethics officer if it has one.

Chapter Five

Chapter Review (page 77)

1. a. Listen to and respect coworkers' ideas and opinions.
   b. Support coworkers' projects.
   c. Give coworkers credit for their ideas.
   d. Respect coworkers' feelings, especially regarding language and humor.
   e. Do not discriminate against coworkers on the basis of their race, sex, appearance, or religion.

2. b. The team members.

3. Define personal values.
   Share their values with the team.
   Determine which values are shared values.
   Create a statement of team values.

4. False—Consider how serious the violation is before you report it. If it is not serious, perhaps you should deal with the situation in another way.

5. True

Chapter Six

Take a Moment (page 87)

1. Yes, this is ethical. It's a common marketing tactic to make products stand out on a shelf by putting them in big, bright packages. The consumer should go by the label, not the size of the box.

2. He should either seek an early release of his current contract or get the new customer to agree to a later start date. Imagine what would happen to his reputation if he broke his agreement, made a contract with the new customer, and then the old customer wanted to unexpectedly renew.

Chapter Review (page 93)

1. d. All of the above

2. Buyer beware.

3. Any seller who doesn't provide the best service possible is cheating the customer.

4. True

5. False—Vendors may sometimes sell products or services to an existing firm's direct competitor.

Chapter Seven

Take a Moment (page 97)

Ask each to provide you with a quote. Buy from the low bid. If the graphic designer is not the low bid, come back to her and give her an opportunity to provide a more competitive quote before placing an order with the other firm.

Case Study (page 98)

Should Joe share $10,000 with his partner Roger? Here are some of Joe's options, along with commentary on each:

1. **Take the $10,000, don't tell your partner about it, and then perform all the services yourself so you earn the money.**
   This is convenient for Joe, and he can probably convince himself that the extra work is a separate issue from the original contract. But a large part of the work is getting the customer in the first place, and wasn't Roger an equal participant in landing this account? If so, isn't he entitled to his fair portion of this extra money? What do you think Joe would say if he found out Roger took the $10,000 behind his back—even if Roger did do all the work himself?

2. **Take the $10,000, perform all the services yourself so you earn the money, tell your partner afterward, and if he has any problem, offer him a 10 percent commission.**
   Option #2 seems fairer than option #1. In fact, you could

argue that Roger comes out ahead, because the $1,000 commission Joe pays him is "found money"—he had to do absolutely nothing to get it, while Joe, on the other hand, performed a lot of extra services. But again, the problem is that Joe is making a decision for his partner that Roger has a right to expect the two of them to make together. Can anything Joe dictates on his own without consulting Roger really be fair?

3. **Tell your partner what happened at the meeting. Add the new service request with its additional $10,000 compensation to your agreement and split it evenly with your partner.**
   This is fair, ethical, and aboveboard—a 50-50 split of the $10,000, just like the fair split of the rest of the revenue from this account. If Joe does all the work but gets only half the money, one could even argue that he is being extrafair to Roger and is cheating himself somewhat. If one partner does most of the extra work, perhaps Joe and Roger can negotiate a split other than 50-50 for this portion of the project.

4. **Tell your partner about the extra work and $10,000 in additional fees and ask him how he wants to handle it.**
   Using the Principle of Permission, Joe tells Roger what happened. Then together, they work out how to handle the extra workload and split the extra revenue. If the two of them can come to an equitable agreement, the problem is solved. If they can't, they may need further negotiation or consultation with an outside arbiter.

Take a Moment (page 99)

1. If you can look unobtrusively, why not? Gather all the knowledge you can.

2. You can apply your general knowledge to doing your new job, but you cannot share figures, facts, and other specifics revealed to you during your employment with BigCo.

Chapter Review (page 102)

1. b. Price, quality, and service.

2. Certain conditions or actions were not anticipated and therefore were not covered in the working agreement.

3. When it hurts the other partner.

4. b. Industrial espionage

Resources

American Institute of Medical Ethics
409 Encina Avenue
Davis, CA 95616
phone (916) 758-0739
Organization working to uphold ethics in medicine.

Americans for the Enforcement of Attorney Ethics
PO Box 417-120
Chicago, IL 60641-7120
phone (708) 453-0080
Enforces attorney adherence to American Bar Association rules of professional conduct.

The Conference Board
PO Box 4026, Church Street Station
New York, NY 10261-4026
phone (212) 398-1900
Sponsors conferences on business ethics.

Ethics Officer Association
30 Church Street, #331
Belmont, MA 02178
phone (617) 484-9400
Professional society of corporate ethics officers.

Ethics Resource Center
1747 Pennsylvania Avenue, NW
Suite 400
Washington, DC 20007
phone (202) 737-2227
www.ethics.org
A nonprofit organization that helps organizations and individuals improve their ethical practices.

Institute for Business & Professional Ethics
DePaul University
One East Jackson Boulevard
Chicago, IL 60604
phone (312) 362-6569
Nonprofit, academic institution studying ethics in business.

International Business Ethics Institute
1129 20th Street NW, Suite 400
Washington, DC 20036
phone (202) 296-6938
Audits and advisory services in business ethics.

Institute for Social Responsibility
San Jose State University
One Washington Square
San Jose, CA 95192-0096
phone (408) 924-3512
Resource for Bay area businesses.

Murray G. Bacon Center for Ethics in Business
Iowa State University
332 Carver Hall
Ames, IA 50011-2063
phone (515) 294-2717
Nonprofit ethics center based in Iowa.

Society for Business Ethics
The American College
270 South Bryn Mawr Avenue
Bryn Mawr, PA 19010
phone (610) 526-1387
Information exchange regarding research and activities in business ethics.

References

The poll cited in the introduction is "Sources and Consequences of Workplace Pressure" from the American Society of Chartered Life Underwriters & Chartered Financial Consultants, as quoted in *The Futurist* (December 1997, p. 11). The Gallup poll statistic is from *Ethics in Business* by Dorothy J. Maddux and Robert B. Maddux (Menlo Park, CA: Crisp Publications, 1989, p. 1). The results of the April 1997 executive survey were reported in an article in *Worth* (March, 1998, p. 132).

The various versions of the Golden Rule in Chapter One are reprinted from the *Better Life Journal* (Issue #13).

The Milton Friedman quote in Chapter One is from p. 31 of *Defining Moments: When Managers Must Choose Between Right and Wrong* by Joseph L. Badaracco, Jr. (Boston, MA: Harvard Business School Press, 1997, page 31).

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The Take a Moment exercise about Gary the stockbroker in Chapter Five is adapted from *Balancing Personal and Professional Ethics* by David Dalke and Sheryl Ankerstar (Amherst, MA, HRD Press, 1995, p. 119). The tips in Chapter Seven on creating a corporate ethics policy are also from this source.

Some of the discussion in Chapter Two on companies that have ethics policies is adapted from *Ethics for Business*, Info-Line Issue 103, published by the American Society for Training and Development.