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### The Wolf situation: Using a systems approach in business ethics

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Monday morning, first thing. Consider the city manager or city ethics and compliance officer who faces the B.B. Wolf situation and has a duty to do the right thing in the following scenario.

*Saturday, police questioned city employee B.B. Wolf when they found him on the roof of T.B. Pig's home. Police had arrived because T.B. Pig called 9-1-1 to report he heard Wolf walking on the roof and hollering he would eat the Pig brothers. T.B. Pig told police he lit the gas fireplace log to discourage Wolf from coming down the chimney.*

*Police observed two outbuildings were on the T.B. Pig parcel, one made of straw-thatch and one made of reclaimed wood. Both had collapsed. With T.B. Pig were his two brothers. O.S. Pig said he fled the straw-thatch building and T.W. Pig said he fled the reclaimed wood building because Wolf was outside shouting to be let in. All three Pigs alleged B.B. Wolf created high winds that knocked down the two outbuildings.*

*Making a rational decision about the Wolf situation requires considering all the facts. Prompt investigation elicited additional information.*

*At the scene, Wolf told police he is a city building inspector on official business. He showed police a city work order directing him to inspect Pig's house. Wolf told police he discovered the straw-thatch and reclaimed wood outbuildings, constructed without permits, were being illegally used as houses by two of the Pig brothers. T.B. Pig's brick house was built with city permits but had not previously been inspected.*

*Police found no evidence of any wind machine at the scene, and official weather data indicated winds were calm. Police telephoned City Building Division Manager M. Smith at home. Smith verified he sent Wolf a work order to inspect T.B. Pig's house. Smith told police Wolf has worked for the city for ten years and does not require close supervision.*

*The District Attorney advised police not to arrest Wolf, because there is insufficient evidence to sustain charges that he caused damage to the straw-thatch and reclaimed wood outbuildings or that he trespassed at the brick home or attempted to enter down the chimney.*

*Wolf's supervisor, Building Division Manager Smith, calls Wolf by the nickname BB. Smith is aware other employees use other names, Big Bad or Big Bully, and believes Wolf relishes those nicknames' image of masculinity. Smith said BB is a garrulous blowhard who talks all the time but rarely says anything of consequence. Smith says the situation is unusual and weird. He thinks Wolf must have been overly aggressive and threatening. Smith recommends terminating Wolf's employment immediately.*

*City Attorney T. West opposes terminating Wolf's employment because police and the district attorney found insufficient evidence to charge any crime.*

*Human Resources Manager L. Watson sees a training problem, not a discipline problem. Watson recommends retraining Wolf and creating a new policy that an inspector who encounters owner or occupant resistance should call police on-*

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*scene to keep the peace while the inspection is conducted.*

What is the right thing to do?

## **Systems approach: The ethics decision paper**

Ultimately, ethics decisions are judgments resolving problems. We want to feel confident our judgments are wise. Concerned about duty to make wise and consistent decisions in the realm of ethics, a newly appointed ethics officer sent an email to colleagues in the business ethics community: “I have defined my role as covering governance, compliance, and ethics. As a lawyer, I am much more comfortable in the first two realms, since I can generally identify the source of the rules. In the realm of ethics, I could use some definition and navigational advice.” A systems approach to business ethics helps ensure judgments about day-to-day ethics issues are wise and consistent.

A systems approach is a problem-solving paradigm that considers multiple interacting elements. In business ethics, a systems approach ensures that the decision-maker navigates three relevant domains: all levels of ethics models, the entire range of the ethics dynamic, and the rational decision-making process, which gathers facts and tests them against norms to ensure the judgment reached is high quality.

One systems approach is the ethics decision paper. It is a structured, seven paragraph internal memo, normally no longer than one or two pages. The first three paragraphs state:

1. Facts of the ethics situation
2. All decision choices possible
3. The best decision choice

The last four paragraphs pose a justification of the best decision choice using:

4. Individual ethics models
5. Organizational ethics models
6. Societal ethics models
7. Principal value(s)

Paragraphs 1, 2, and 3 focus on the business issue: the situation and what to do about it. Paragraphs 4 through 7 test the decision against ethics norms generated by multiple frameworks and ethics models (experts recommend using multiple models to achieve wise ethics judgments). One framework is levels of perspective. Ethics models can be identified at three levels: individual, organizational, and societal.

A second framework is the ethics dynamic. It organizes ethics models in a range from compliance, through values, to trust.

A third framework is the rational decision-making process, which basically is to gather facts, apply norms, and make a decision. (If the application of societal norms fails to occur, decisions are the flawed outcomes labeled “situational ethics” or “rationalization.”) The ethics decision paper documents use of the rational decision-making process.

## **Individual ethics models**

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Stage and orientation are two models describing choices individuals make in decision-making.

*Moral reasoning stage*, from research by social psychologist Lawrence Kohlberg,<sup>[1]</sup> indicates people's capabilities to choose how they make decisions grow as they progress through childhood. They learn reasons to “be good”:

- At Stage 1 to avoid punishment. (Don't touch a hot stove.)
- At Stage 2 to obtain a reward. (Ice cream . . . if you are good.)
- At Stage 3 to win friends' approval. (We'll all wear our caps backwards.)
- At Stage 4 to follow the law. (No parking.)
- At Stage 5 to meet unwritten social contracts—expectations of society not published as laws. (Pick up litter from your doorstep and front walk.)
- At Stage 6 to uphold universal principles—values *always* marking “the right thing to do.” (Do not steal.)

The stages describe decision-making choices. If drivers on the freeway suddenly slow down to the posted speed limit because a police car is visible, they possibly could make that decision at Stage 6 (*Never speed*), or Stage 5 (*Speeding risks others' lives*), or Stage 4 (*Speeding violates the law*), or Stage 3 (*Friends think better of you*), or Stage 2 (*You'll feel proud*), but most likely at Stage 1 (*Avoid getting a ticket*).

*Moral reasoning orientation*, from research led by social psychologist Carol Gilligan,<sup>[2]</sup> indicates decision-makers tend to choose between two themes:

- **Justice orientation** marks decisions based primarily on laws, rules, fairness, obligation, duty, or the effect of a decision on themselves.
- **Care orientation** marks decisions based primarily on human relationships, alleviating suffering, fostering other people's welfare, avoiding conflict, and the effect of a decision on other people.

## Organizational ethics models

Stockholder and stakeholder—a play on words—are two models describing organizational level decisions:

- **Stockholder theory**, also called ownership or shareholder theory, sees the purpose of a business is primarily to make profit for the owner(s).
- **Stakeholder theory** sees the purpose of a business is primarily to serve the community or society. Stakeholders are anyone who affects the business or whom the business affects. Owners, shareholders, employees, and managers are stakeholders. So, also, are customers, the community, and the environment (because it affects so many people).

## Societal ethics models

A number of philosophy models examine ethics in society. Three major approaches to norms are:

- **Rights and duties**, also called deontology, honors ideas expressed by Immanuel Kant and John Locke. It focuses on our actions, our duty to treat people with dignity and to respect their basic rights (e.g., life, safety, truth, privacy, speech, and property). A limitation is, that to qualify as a right, something must be everyone's right, not a selfish behavior.

- **Virtue ethics** is closely aligned with people's values. It emphasizes moral character, clearly and always being a good person. Firms create corporate values to apply this model. Aristotle advocated virtue ethics.
- **Utilitarianism**, also called consequentialism, emphasizes the results of our actions, often expressed as seeking the greatest good for the greatest number. It honors ideas expressed by Adam Smith, Jeremy Bentham, and John Stuart Mill. Two limitations are that achieving good for the greatest number should not harm individuals or groups smaller than the majority, and recognition that calculating the value of benefits or costs may be difficult, especially because some may be intrinsic, more virtual than physical.

## Values

People learn values as they grow up and bring those personal values with them from home to the workplace. Companies also develop corporate values, guiding employees most strongly when the corporate values mirror employees' personal values. Research shows people work very hard to achieve goals and values they set for themselves.

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