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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-

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

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

Moral reasoning stage, from research by social psychologist Lawrence Kohlberg,^[1] 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,^[2] 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.

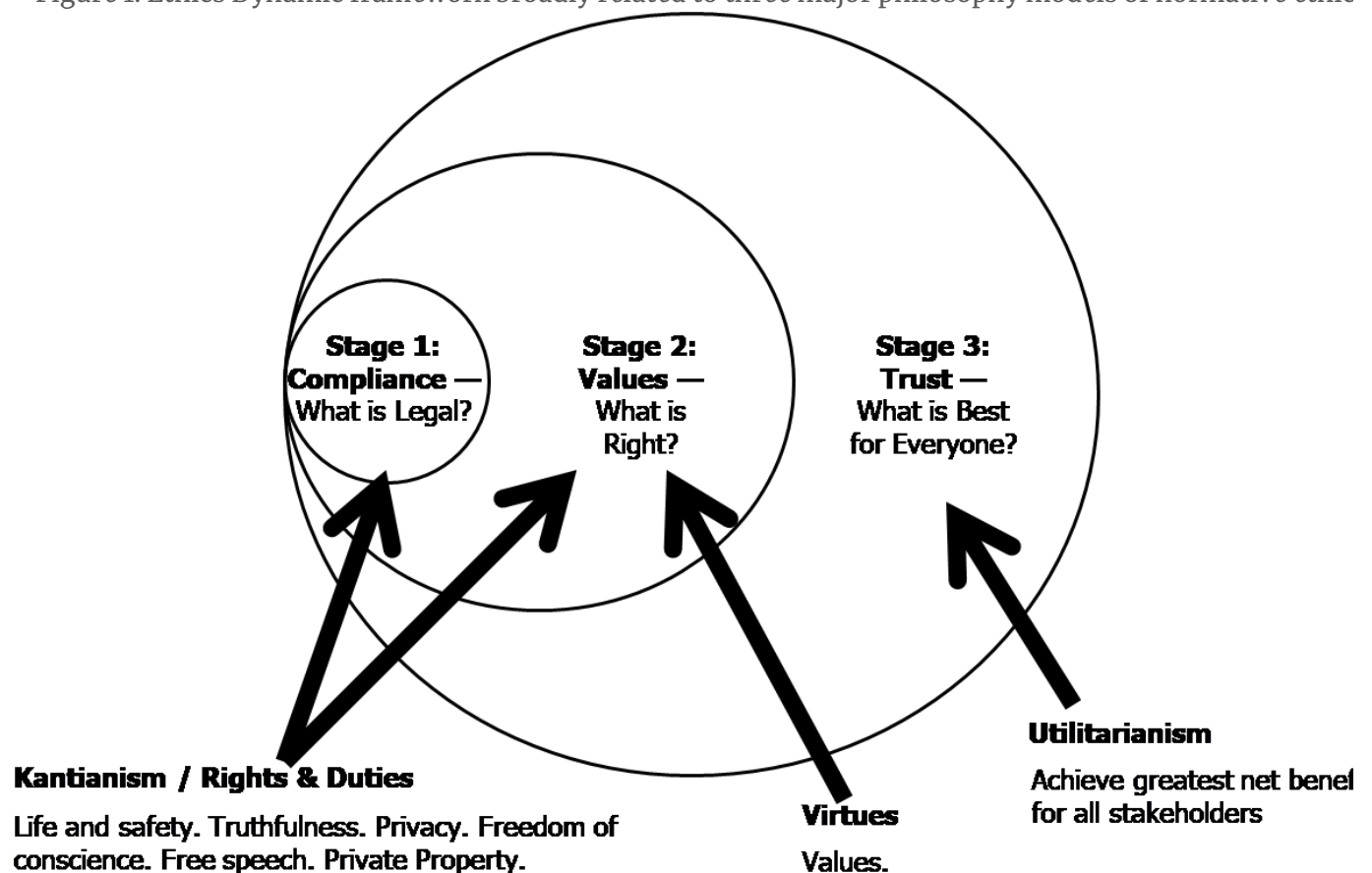
Values

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.

The ethics dynamic

In the work-a-day world, we observe a three-stage ethics dynamic, a pattern in the evolution of corporate ethics awareness.

Figure 1. Ethics Dynamic framework broadly related to three major philosophy models of normative ethic



Stage 1, Compliance

Many companies start ethics programs because they are in crisis mode, responding to allegations that they violated the law. They want to teach employees the law, so they can avoid new allegations. The primary question at Stage 1 is compliance—What is legal or illegal? What are the rules? Teach employees the rules, so they will not commit new violations.

People who follow the rules respect community social values that contribute to order and civility in the workplace and broader society. Company climate and culture always must send the message that compliance, respect for the law, and responsibility and accountability in society are valued.

Yet Stage 1 alone does not work. Characteristically, it focuses on rules, more rules, and still more rules. Infinitely more rules? Not practical for long. Scholars state an obvious truth: “There is simply no way to create enough rules to cover even the most ethically important occurrences, even if they could be identified before they occurred.”^[3]

Stage 2, Values

Companies advance to Stage 2 when they—or their employees—recognize that rules resolve only some of their issues and concerns. Employees want guidance about the gray areas that rules do not adequately address. Stage 2 is developmental. It grows people's ability to make ethically wise decisions in a variety of circumstances that are hard to foresee. The primary question at Stage 2 is values—What is the right thing to do?

Stage 2 encompasses all of Stage 1, because one value is that nothing this company does requires anyone to violate the law. Stage 2 adds powerful broad influences: the customs and norms of society, diversity, and globalization. At a U.S. Senate hearing on February 13, 1900, in widely-quoted testimony about women's suffrage, Carrie Chapman Catt made the memorable observation that “No written law has ever been more binding than unwritten custom supported by popular opinion.”

A strength of Stage 2 is that companies build effective ethics by developing a few values and an open climate that allows people to use those few values to make good decisions and behave ethically.

Ethics and values...or rules and laws? Emphasizing either without stressing the necessity of the other would be too simplistic and leave employees and the company vulnerable. Judge Richard P. Conaboy, the first chairman of the U.S. Federal Sentencing Commission, called business leaders' attention to their duty to work to ensure their company's employees follow the law and also to embrace and place at the very top of their company's priorities the basic good citizenship values that make law abidance possible.^[4]

Stage 3, Trust

The next evolution of the ethics dynamic includes all of Stage 1 compliance and Stage 2 values, but the primary question becomes *trust*. Are each decision's outcomes right for everyone? Is ethics a ground rule when big decisions are made? Has the company achieved a climate and culture that allows each employee to comfortably follow their own personal moral compass?

Trust is a two-way street. Employees and managers need to trust each other. The CEO of a *Fortune* 100 company confided that he sometimes lies awake at night worrying that an ethical lapse by just one employee—there are more than 100,000 employees in that company—will jeopardize the survival of the entire corporation.^[5] This is a perverse example of employee empowerment. In such a situation, the power of one employee is enormous.

Examined broadly, philosophy's models line up with the ethics dynamic stages. The rights and duties model focuses on rules, like Stage 1 compliance does. Virtue ethics focuses on the impact of values, like Stage 2 values

does. Utilitarianism focuses on what is best for everyone, like Stage 3 trust does. So, evaluating an ethics decision against each stage of the ethics dynamic model systematically considers three major philosophy approaches to norms.

Example of an ethics decision paper

For the above scenario, the seven-paragraph ethics decision paper might look like this.

1. Facts

Police found Wolf on the roof of T.B. Pig's home. Wolf explained he is a city building inspector on official business and showed a city work order directing him to inspect Pig's house. Building Division Manager Smith verified he sent Wolf a work order to inspect Pig's house. Wolf has worked for the city for ten years and does not require close supervision.

Wolf's nicknames are BB, Big Bad, or Big Bully. Police 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 lit the gas fireplace log to discourage Wolf from coming down the chimney.

The parcel held three structures. Wolf discovered that outbuildings made of straw-thatch and reclaimed wood, constructed without permits, were being illegally used as houses by two Pig brothers. T.B. Pig's brick house was built with city permits but had not been inspected. Both the straw-thatch and the reclaimed wood outbuildings collapsed. The three Pigs alleged Wolf created high winds that knocked those structures down. Police found no evidence of any wind machine at the scene, and weather data indicated winds were calm.

The District Attorney advised police not to arrest Wolf, because there is insufficient evidence to sustain charges that he caused damage to either outbuilding, trespassed at the brick home, or attempted to enter down the chimney.

2. All possible choices

Terminate Wolf's employment

Retrain Wolf on conflict management

Retrain Wolf on diversity and inclusion

Create new policy to call police on-scene to keep the peace if an inspector encounters owner or occupant resistance

Use progressive discipline to issue Wolf a written warning notice kept on file in Human Resources for 12 months

Some combination of the choices above

Do nothing

3. Best Choice

Issue a written warning notice, create a new keep-the-peace policy, and retrain Wolf and all other building inspectors on conflict management, diversity, and inclusion.

4. Individual models

The best choice is at moral reasoning Stage 5; it meets unwritten expectations of society to document and confront alleged unacceptable behavior by a city employee while recognizing that the behavior was alleged and not proven. It also ensures the alleged behavior does not recur by creating a new policy and training to protect both inspectors and building owners/occupants. The best choice primarily invokes care moral reasoning orientation by minimizing current conflict, alleviating the suffering that Wolf and the Pigs may feel concerning this incident, and preventing future conflicts. Secondly, it applies justice orientation by issuing a warning notice that will support disciplinary action if Wolf is involved in an additional incident in the 12 months when the warning notice remains active.

5. Organizational models

The best choice applies stakeholder theory by ensuring building inspection procedures are improved by keep-the-peace procedures that will prevent or minimize conflicts. It also preserves the current level of service for citizens who need building inspection, avoiding disruption and degraded service that would accompany understaffing if Wolf's employment is terminated.

6. Societal models

Using the ethics dynamic framework, the best choice is compliant with law that requires employment termination to be justified by adequate cause. The best choice supports city values to respect citizens as customers; to act with integrity in all we do; and to provide the support, education and development needed to help our employees grow and succeed. The best choice builds trust by showing respect for both employees and citizens and improving the city's process to prevent future conflicts, if possible, or to minimize the effects if conflict is not preventable.

7. Principal Value(s)

The best choice primarily honors the value of integrity in all we do. The warning notice informs Wolf of an allegation made against him. Creating the new policy provides structure for all building inspectors to prevent future allegations. Retraining for all building inspectors provides support, education, and development to help those employees grow and succeed.

Whether the reader agrees or disagrees with the completed ethics decision paper—with the Wolf scenario's best choice, for example—the written rationales provide a foundation for informed discussion.

5 Per personal communication with the CEO, October 1, 2012.

¹ Lawrence Kohlberg, *The Psychology of Moral Development: The Nature and Validity of Moral Stages*.

<https://bit.ly/2yn5w7P>

² Carol Gilligan, *Good Therapy*, <https://bit.ly/2SYDrvg>

³ Donald Rubin, Michael Giallourakis, Fred R. David, and Thomas E. Moritz: "A different look at codes of ethics" *Business Horizons*, 32(1), 66-73, 1989.

⁴ Richard P. Conaboy: Welcome and conference overview, in *Corporate crime in America: Strengthening the "good citizen" corporation*. United States Sentencing Commission Proceedings of the Second Symposium on Crime and Punishment in the United States. 1995, Washington, DC.

⁵ Per personal communication with the CEO, October 1, 2012.

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