Summary of Ethics Philosophies
Seven Step Moral Reasoning Model for Resolving Moral Dilemmas in Business

Definitions:
Ethics is the study of principles regarding right and wrong behavior. Morals are rules of behavior held by individuals and thought of as "good" or "bad" (e.g., it is bad to cheat on a test but good to help a friend with homework even if the assignment is specified as “individual work”)
Moral dilemmas occur when people are in disagreement as to which ethical principles to apply in a given situation. E.g., was President Clinton’s situation with Monica Lewinski perjury or an immoral affair?

Major philosophical and applied bases for moral dilemmas
- **Golden rule** - act in the way you would expect others to act toward you. Trouble is others are not like you. Therefore, the **silver rule** is to do unto others as you would have them do unto you, AFTER ASKING THEM WHAT THAT IS.
- **Immanuel Kant’s basic rights** - just one of the set of rights theories that this country was founded upon (e.g., the Bill of Rights)
  - **Basic welfare** - The right to employment, housing, food, education. Someone has to provide these rights. Whose responsibility is it? Government? People (taxes)? Businesses (“societal marketing”).
  - **Liberty** – The right to be left alone - doesn't have to be provided by anyone, it is a matter of respect and includes the following:
    - **Free consent** - Each person has the right to be treated only as he willingly consents to be treated.
    - **Privacy** - Each person has the right to do whatever she wants in her private marketing databases).
    - **Freedom of speech** – The right to criticize an organization, as long as the criticism does not violate the rights of others. Note that commercial speech (e.g., advertising) does not enjoy this right.
    - **Freedom of conscience** – The right to refuse to act in any way that violates a person's moral belief (conscientious objectors who refused to be drafted in the Vietnam War because they thought it was wrong to kill people).
    - **Due process** – The right to a fair hearing if an individual believes his rights are being violated.

A big problem occurs when two individuals (or more) rights are in conflict. For example, Mary Cunningham was discovered by a few Bendix employees to have had sexual relations with the President of Bendix and got promoted quickly through several jobs. The employees wanted to go to the media to expose what they thought was wrong. This example puts Mary’s right to privacy versus the employees’ freedom of speech.

Who has the duty to resolve such conflicts in business? Because these are unanswerable problems, many go with:

**Utilitarian model** - An action is morally appropriate if it maximizes net benefits and minimizes overall harms for all stakeholders. This takes into account individual rights as
well as justice (below) – a fair distribution of benefits and burdens. Example: Phillip Morris help put competitive women’s tennis on the map with its huge sponsorship of the Virginia Slims Tournament (a cigarette brand). As cigarettes fell out of favor, younger tennis players wanted to drop the sponsor, but older players felt a responsibility to the company. They decided to keep Phillip Morris as a sponsor because the net benefits to all women competing and building the image of competitive tennis provided a greater benefit to a large number of people, versus the small number harmed by the Virginia Slims advertising.

William David Ross’ prima facie duties theory: Combination of rights and utilitarian models, stating that each person has certain duties:

- **Fidelity** - The duty to remain faithful to contracts, keep promises, tell the truth - e.g., don't leak company secrets.
- **Gratitude** - The special obligation that exists between the person and organization and others (relatives, partners) who have performed acts for it. Reciprocity in distribution channel is involved here. Also, it might be said that women's tennis decided to keep the Phillip Morris sponsorship out of gratitude.
- **Justice** - Rewards should be distributed based on merit. For example, how should the U.S. congress allocate the budget? Which programs should be cut to balance the budget?
- **Beneficence**—the obligation to do things that can improve the happiness of others.
- **Self-improvement**—the obligation to do things that improve our own virtue, intelligence or happiness – e.g., to make a profit if we are a corporation. Is it bad to act in self-interest if it harms no one else? Companies do thorough analysis of stakeholders and are sure of impact on others before they decide. Enlightened marketing, discussed in the textbook, is based on this idea.
- **Non-injury** -- The duty not to hurt others based on one’s actions.
- **Professional ethics** – Businesspeople take actions which are acceptable to other colleagues in their profession (e.g. AMA code of ethics as seen in the textbook).
- **Corporate code of ethics** - Act in accordance to the code in place in your corporation/organization of employment. Many companies have these codes. Be careful when you accept a job that your ethical beliefs match the corporation or you may be put in a compromising position. Many give lip service to corporate codes of ethics, but don’t really follow them.

Final note:
1. Ethics tend to be situation specific. At home you might exercise freedom of speech, complaining about your boss, but at work you won't do it if you want to keep your job!
2. Ethics are embedded in a culture.
   - E.g., bribing is illegal here or abroad by our government except for “facilitating payments” (to get paperwork done faster), but common in other countries. Should we use our laws and ethics in other countries or use theirs?
   - Remember your personal standards don't necessarily apply elsewhere.
Seven-step Moral Reasoning Model
This is a model that will help marketers make ethical decisions. When making any
decision, marketers might think of these aspects as well as the financial and other
aspects involving profits, branding, customer relationship building, and so forth. Using a
system for solving moral dilemmas and considering all impacts of a decision will help
avoid conflicting opinions when business people operate automatically from their own
value systems.

Before applying the model, first consider:
- **Applicable laws** - the law is the floor and we don’t want to break it.
- **Ethics codes** that might apply - is the organization part of a professional group
  with standards which must be adhered to?
- **Organizational ethics standards** - the company’s own code.
- Then scan to see if the decision is being made in a different culture and what
  morals apply there.
- Finally, recognize what personal values you bring to the situation. Awareness is
  key - don't operate on automatic.
- Then apply the 7 step model. This should be integrated into EVERY decision
  where there is potential harm.

Seven-step Moral Reasoning Model

1. What are the **relevant facts** shaping the situation and raising the ethical issues?
   Identify the key factors that shape the situation and raise the ethical issues.
2. What are the **ethical issues**? Identify broad systemic (e.g., the country), corporate
   and personal issues. Separate ethical issues from other non-ethical issues.
3. Who are the **primary stakeholders** affected by the ethical decision? Identify the
   key individuals or groups affected by the business or ethical decision.
4. What are the **possible alternatives** that could be taken? Identify several viable
   courses of action.
5. What are the **ethics of each alternative**? How will each affect stakeholders? Apply
   the philosophies here. Evaluate how each alternative affects each stakeholder, and
determine how ethical each is in view of the ethical models (utilitarian, rights,
justice). Each model raises a different set of questions that should be addressed
when evaluating alts. This is most easily done by making a table with the
stakeholders on the left column, the alternatives on the top row, and the plus/minus
for the effect on each stakeholder.
6. What are the **practical constraints** that limit implementation of an alternative?
   Identify the practical factors that may limit the agent's ability to implement an
alternative or that may make some alternatives too difficult or too risky.
7. **Which alternative** should be taken? Determine exactly what steps should be taken
   to implement the selected alternative. Reasonable people may disagree about which
alternative should be implemented.
Read the Pinto Case below and then try to solve it using the 7 step model. When you are done, watch the video for one solution.

The Pinto Case

In the early 1960’s Ford’s market position was being heavily eroded by competition from domestic and foreign manufacturers of subcompacts. Lee Iacocca, then President of Ford, was determined to regain Ford’s share of the market by having a new subcompact, the Pinto, in production by 1970.

When Ford engineers crash-tested an early model of the Pinto, they found that when the automobile was struck from the rear at 20 miles per hour, the gas tank regularly ruptured. Stray sparks could then ignite the spraying gasoline, engulf the car in flames and possibly burn the trapped occupants.

Nonetheless, Ford management decided for several reasons to go ahead with production of the Pinto as designed. First, the design met all applicable federal laws and standards then in effect. Second, the Pinto was comparable in safety to other cars being produced by the auto industry. Third, an internal Ford study indicated that the social costs of improving the design outweighed the social benefits. According to the study it was estimated that a maximum of 180 deaths might result if the Pinto design were not changed. For purposes of cost/benefit analysis the Federal government at that time put a value of $200,000 on a human life (based on lawsuits). Consequently, the study reasoned, saving 180 lives was worth about a total of $36 million to society. On the other hand, improving the 11 million Pintos then being planned would cost about $11 per car for a total investment of $121 million. Since the social cost of $121 million outweighed the social benefit of $36 million, the study concluded that improving the Pinto design would not be cost-effective from a societal point of view.