

# Business Ethics Tutorial

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# Session 4.

# Examples

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- Boarding the plane
- The ambulance
- Cashier's error
- A damaged car
- Boss's expense account
- Cheap stuffing

# Boarding the plane

- The airline boards by zones...
  - To expedite boarding.
  - Early zones are nearer the back and windows.
  - But the agent isn't checking zones...



# Boarding the plane

- I have a rather large carry-on.
  - I want to be sure to find space overhead.
  - So I board before my zone.
  - OK?



# Boarding the plane

- Generalization test.
  - My reasons:
    - I want to be sure to find space for my bag.
    - Nobody is checking the zones.
  - This doesn't seem to be generalizable.
    - But exactly why?



# Boarding the plane

- Generalization test, 1<sup>st</sup> attempt.
  - Fails, because I wouldn't want everyone else with a large carry-on to do the same.
    - Too many people would get ahead of me.
  - Wrong.
    - It doesn't matter what I "want."



# Boarding the plane

- Generalization test, 2<sup>nd</sup> attempt.
  - Fails, because if everybody with a bag tried to board early...
    - It would defeat the purpose of expediting the boarding process.
  - Wrong.
    - It would defeat the **airline's** purpose.
    - What matters is **my** purpose—finding space for my bag.





# Boarding the plane

- Generalization test, 3<sup>rd</sup> attempt.
  - Fails, because if everybody with a bag tried to board early...
    - I would no longer be sure to find space for my bag, or...
    - The agents would always check zones.
  - Correct.
    - Boarding early, for these reasons, is not generalizable.



# Boarding the plane

- Utilitarian test.
  - Boarding out of order marginally slows the boarding process.
    - There is no net effect on bag space.
    - Net reduction in utility.
  - Fails the test.



# Boarding the plane

- Scorecard
  - Generalization test: **fail**
  - Utilitarian test: **fail**
  - Virtue ethics: not applied



# The ambulance

- I am an emergency paramedic.
  - I have a meeting with my boss.
  - Heavy traffic will make me late.
  - So I use the siren and lights.
- Ethical?
  - It's not legal, but let's suppose it is.



# The ambulance

- Generalization test.
  - My reasons:
    - Traffic will make me late for an appointment with the boss.
    - I won't be caught.
  - This is a rare circumstance for EMS workers.
    - Passes the test.



# The ambulance

- Generalization test.
  - Problem:
    - The **scope** is too narrow.
    - I would use the siren if I were late for a job interview, a flight, etc. etc.
    - Or if I am held up by something else.
  - In effect,
    - I am using the siren whenever I really want to get there on time.
    - Not generalizable.



# The ambulance

- Generalization test.
  - But I insist:
    - I would use the siren only in these particular circumstances.
  - Then why?
    - I don't have to **predict** what I would do.
    - I must have a **rationale** for singling out these particular circumstances.
    - I don't have one.
  - So I fail the test.



# The ambulance

- Utilitarian test
  - If drivers always abused the siren in such cases, emergency patients would suffer.
    - Irrelevant. Utilitarian test asks consequences of **my** action.
  - My abuse of the siren increases **risk** of an accident.
    - The negative **expected utility** probably outweighs the positive value of being on time.
    - Not so on an emergency call.
  - So I fail the test.



# The ambulance

- Virtue ethics
  - I am an EMS worker.
    - I devote my career to making people well.
    - Creating unnecessary risk of injury is inconsistent with this mission.
  - I fail the test.



# The ambulance

- Scorecard
  - Generalization test: **fail**
  - Utilitarian test: **fail**
  - Virtue ethics: **fail**



## Cashier's error

- I buy several expensive items in a store.
  - On arriving home, I find that the cashier forgot to ring up a \$600 camcorder.
- Suppose I do nothing.
- Ethical?



# Cashier's error

- Generalization test
  - Breaking a sales contract is ungeneralizable.
  - The cash register receipt is a **receipt**, not a contract.
  - A mistake is not a gift.
- Not generalizable.



# Cashier's error

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## Cashier's error

- Now suppose the cashier forgot to ring up a 25¢ pack of gum.
  - Why should the amount of the purchase make a difference?
    - A contract is a contract.

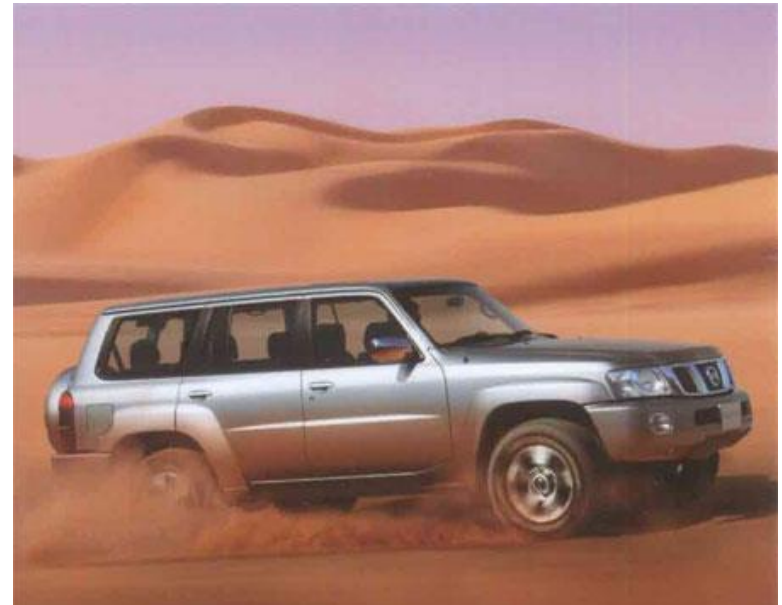


# Cashier's error

- Generalization test
  - Agreements can be nullified by mutual consent.
    - This is generalizable.
    - We are certain the manager would say “forget it” if asked.
    - This is what consent means.
  - Generalizable.

## A damaged car

- I want to buy a new car from a dealership.
  - And trade in my old car.
    - We negotiate a price for the new and old cars.
  - But I'm not sure I like the deal.
    - The salesman gives me a lunch voucher, so I can think about it over lunch.





# A damaged car

- While driving the old car back from lunch,
  - I have a minor accident.
    - The damage is not conspicuous, but the bumper must be replaced.
  - I estimate the repair bill at \$1000.



# A damaged car

- The dealer doesn't notice any damage.
  - The price he offered me for my old car was \$1000 below book value.
  - Should I go ahead with the deal...
    - Without mentioning the damage?



# A damaged car

- Utilitarian test
  - The utility cost is greater to me than to the dealer
    - Partly because utility curves are concave.
  - So failure to mention the damage creates a net increase in utility.
    - It passes the test.



# A damaged car

- Generalization test
  - The dealer offered to trade to buy the old car in the condition he saw it.
    - If I had completely wrecked the car, this would violate the deal.
    - The fact that the damage is minor doesn't change anything.



# A damaged car

- Generalization test
  - If I had not damaged the car, it would have still suffered minor wear and tear.
    - It would not be the same car the dealer saw.
    - But the dealer expects wear and tear on a lunch trip.
    - This is part of the deal.



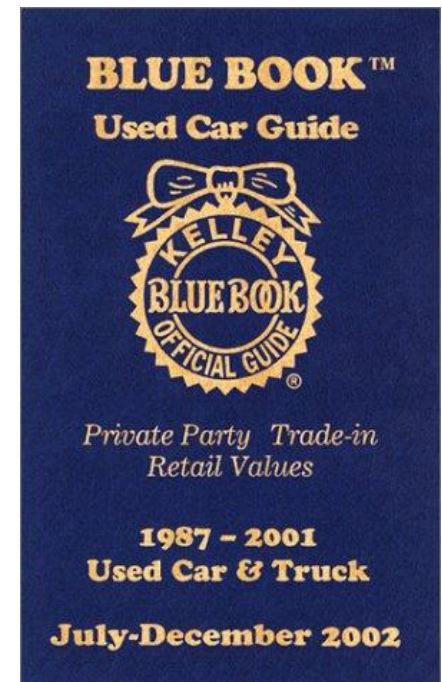
# A damaged car

- Generalization test
  - My reasons for not mentioning the damage:
    - I benefit.
    - The breach of contract is too inconspicuous to notice.
  - Not generalizable.
    - Customers would play all sorts of tricks.
    - Dealers would be on the lookout.
    - The damage would be noticed.



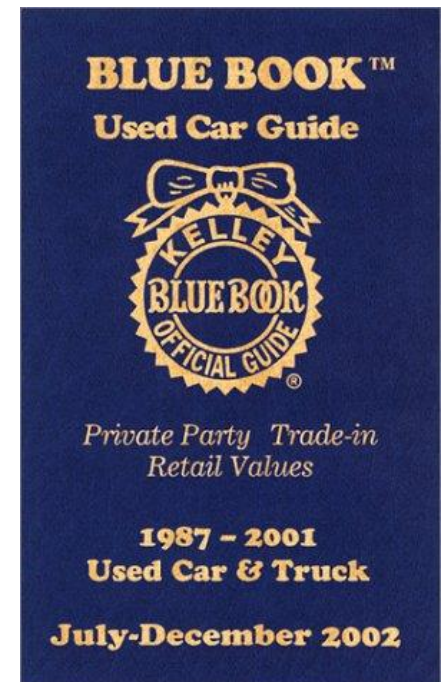
# A damaged car

- A “fair” price
  - How about the book value of the car?
    - The dealer offered me \$1000 below book value.
    - The cost of repair is \$1000 (less for him).
    - So we’re even.



# A damaged car

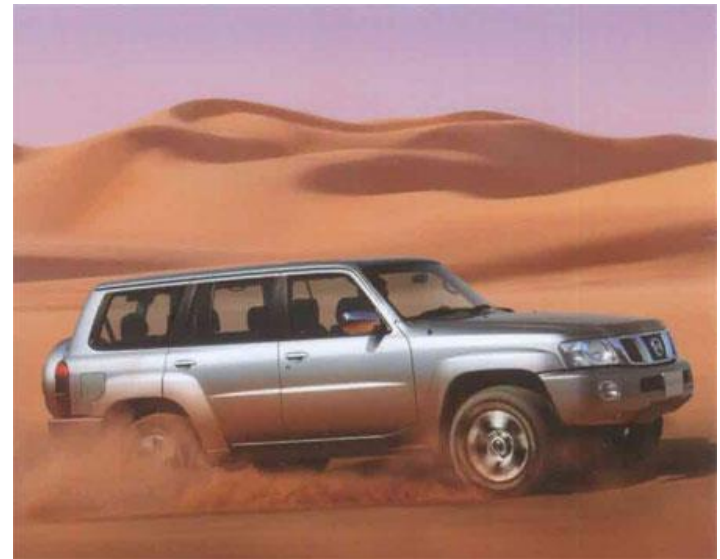
- A “fair” price
  - How about the book value of the car?
    - The dealer offered me \$1000 below book value.
    - The cost of repair is \$1000 (less for him).
    - So we’re even.
  - What does “fair” mean?
    - The price (fair or not) is part of our agreement.
    - There was no fraud or deception.
    - If I don’t like the price, I can renegotiate.





# A damaged car

- Scorecard
  - Generalization test: **fail**
  - Utilitarian test: **pass**
  - Virtue ethics: not applied



# Boss's expense account

- My boss asked me to accompany him on a trip to San Francisco.
  - I booked my flight through the company travel service.
    - I asked the agent to charge the trip to my boss's account.
  - The agent remarked that a 3<sup>rd</sup> party was going at company expense.
    - I recognized the name of my boss's wife (different surname than my boss)
- What to do?



# Boss's expense account

- Two issues:
  - Is my boss's conduct unethical?
  - If so, should I report it to the company?



# Boss's expense account

- Is my boss's conduct unethical?
  - He deceived the company.
    - He represented his wife's expenses as a legitimate business expense.
    - Deception merely for convenience is not generalizable.



# Boss's expense account

- Is my boss's conduct unethical?
  - He deceived the company.
    - He represented his wife's expenses as a legitimate business expense.
    - Deception merely for convenience is not generalizable.
  - He broke an agreement to follow company rules.
    - Also ungeneralizable.



# Boss's expense account

- Is it OK if I keep quiet about this?
  - Utilitarian outcome is unclear.
    - Whistle-blowing cases can be **very** unclear.

# Boss's expense account

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    - Yes, because small irregularities are frequently caught by control mechanisms. I could still accomplish my purpose if act is generalized.

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  - Generalizable?
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    - Yes, because small irregularities are frequently caught by control mechanisms. I could still accomplish my purpose if act is generalized.
  - Virtue ethics
    - Perhaps loyalty to boss (not to company).



# Boss's expense account

- Scorecard
  - Generalization test: **pass**.
  - Utilitarian test: **pass** (because utility unclear).
  - Virtue ethics: **pass**
- OK to keep quiet.
  - Reporting would also probably pass the tests.



# Cheap stuffing

- A furniture manufacturer has a reputation for high-quality upholstered furniture.
  - Due to an economic downturn, the company will cut costs by switching to an inferior grade of padding.
    - There are no plans to alert customers, and they won't notice any difference at the time of purchase.
    - The company has never promised high-quality padding in ads, product specs, or meetings with customers.
  - Is this ethical?



# Cheap stuffing

- Deception, merely for one's own benefit, is not generalizable.
  - Deception need not be a lie.
  - Deception is **causing someone to believe something you know is false.**



# Cheap stuffing

- Is this deception?
  - The company caused customers to believe the quality is high.
    - But quality *was* high when the company created its reputation.
    - So **creating** the reputation was not deceptive.
  - Reducing quality without warning can be deceptive....
    - If customers reasonably expect to be updated.



# Cheap stuffing

- For example, you want to meet with me, and I tell you I will be in the office tomorrow.
  - If I change my mind, you would expect to be updated.
  - Not to tell you is deception.
  - I cause you to believe something I know is false.
- However, customers don't expect to be updated about the quality of padding.
  - We are assuming the company has never promised high-quality padding.



# Cheap stuffing

- Apply generalization test directly to the decision to reduce quality.
  - Suppose companies always reduce quality in hard economic times when they want to cut costs.
    - Customers would catch on.
    - Would the company still be able to cut costs?
  - Yes.
    - Even though sales would probably decrease.
    - So the decision is generalizable under the rationale of cutting costs.

# Cheap stuffing

- However, suppose the company's rationale is to cut costs **and** maintain sales.
  - The decision is **not** generalizable.
- So reducing the quality is generalizable only if the rationale is solely to cut costs.
  - That is, the company can ethically reduce quality (without alerting customers) if **it would still be willing to reduce quality if this caused sales to fall to the level that would result if all sellers did the same.**

# Next

- Business case studies