

Aim of this lecture

- Values are important ...
 - But ... behavior does not always follow!
- Thought experiment ...
- Focus on the human actor
 - Ethics & values matter only in a social context!

Aim of this lecture

- Increase our understanding of “why good people can do bad things”
- “*How & Why*” questions (descriptive approach)
- “Begrijpen om te vermijden of begrijpen om te managen”
- Arrive at a “proactive” strategy

Decision making and ethics

- People are pretty confident they will take the right decision:
 - The golden rule
 - New York Times test (cf. mother)
 - McKinzey: If it smells bad don't do it
- I will not end up in situations like that!
- This will not happen to me!
- What really happens ...



BP CEO Tony Hayward in testimony before a House Energy and Commerce subcommittee:

Hayward expressed contrition and said the Gulf oil disaster “never should have happened.”



- Patricia Dunn of Hewlett Packard (HP chairwoman)
- Contracted a team of independent security experts to investigate board members and several journalists in order to identify the source of an information leak (checking their phone records, spying)



- Bernard Madoff
- founder and chairman of financial corporation Bernard L. Madoff Investment Securities LLC
- “Ponzi scheme”
- Interview FT

Can't we forecast our actions?

- Imagine you are faced with the following:
- You are interviewing for a research assistant position. You are being interviewed by a male (age 32) in an office on campus. Below are several of the questions that he asks during the course of the interview:

Do you have a boyfriend?

Do people find you desirable?

Do you think it is important for women to wear bras to work?

Woodzicka & LaFrance (2001)

- Predicted behaviors (i.e. forecasts)
 - 68% indicated they would refuse to answer the question
 - 62% would ask interviewer why or say it was inappropriate
 - 28% indicated they would take more drastic measures (getting up and leaving or rudely confronting interviewer)
- Actual Behaviors
 - No one refused to answer the questions
 - 52% ignored the harassment and answered the questions
 - 26% politely asked interviewer why he asked the questions (most did so only at the end of the interview)

Recent study of 20 000 high school students:

- Nearly two-thirds of teens reported cheating a test during the past year
- More than a third plagiarized off the internet
- Nearly a third admitted to stealing from a store in the past year
- More than 80% lied to a parent about something significant
- Despite this:
 - 93% said they were satisfied with their personal ethics and character

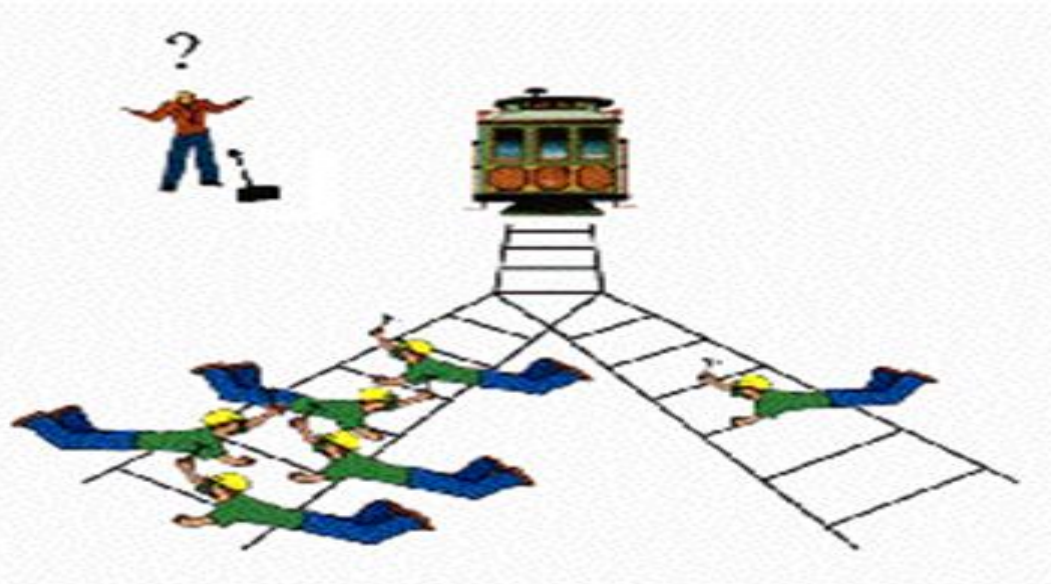
Houston ... we have a problem ...

- “Self-deception” and “ethics”
- Little awareness when it comes down to ethics
 - Poor forecasters
 - Poor decision making
- Our values do not always correspond with our behaviors!
 - Fairness

Q: Isn't it easy to decide what is ethical?



A runaway trolley is hurtling down the tracks toward five people who will be killed if it proceeds on its present course. You can save these five people by diverting the trolley onto a different set of tracks, one that has only one person on it, but if you do this that person will be killed. Is it morally permissible to turn the trolley and thus prevent five deaths at the cost of one?



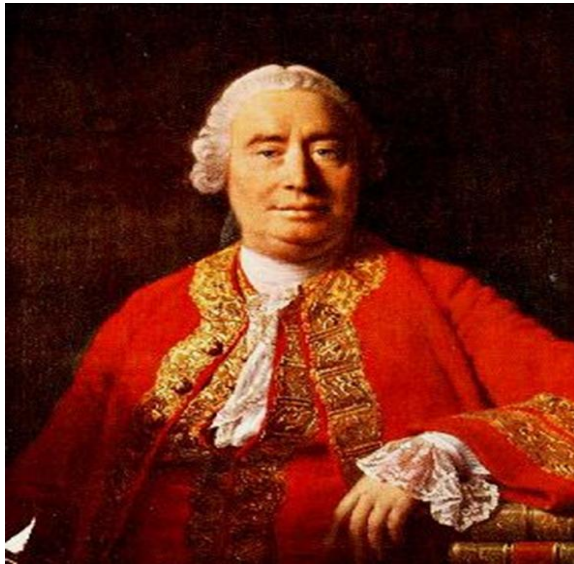
How to tackle moral dilemmas?

- **The dominant (prescriptive) approach**
 - Rational kind of thinking
 - Philosophical traditions
 - How one “SHOULD” act
 - Example of two different approaches



Two traditions

David Hume (1711-1776):
consequentialism



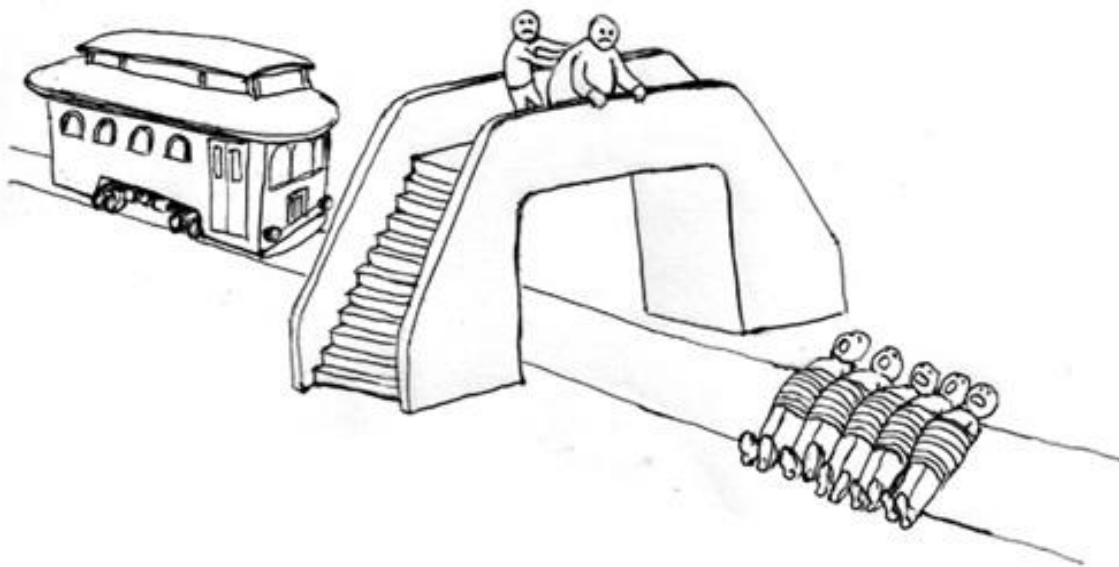
- Emanuel Kant (1724-1804): principle-based



Rationality assumes

- Maximizing utility by:
 - Using all information available is used
 - Being accurate and perfect forecaster
- Result:
 - awareness of every moral dilemma and able to solve them logically
 - Bad behavior is a case of being a “bad apple”

You're walking along the track again, you notice the trolley is out of control, although this time there is no auxiliary track. But there is a man within arm's reach, between you and the track. He's large enough to stop the runaway trolley. You can save the five people on the trolley by pushing him onto the tracks, stopping the out-of-control vehicle, but you'll kill the man by using him to stop the trolley. Again, what do you do?



Problems with rationality

- Role of emotions and intuitions
 - Irrational tendencies (trolley example)
 - Context
 - Personal involvement / biases

Context and Biases

- “Community versus Wall street Game”
 - Similar exercise
 - Cooperation levels differ

Prisoner's Dilemma

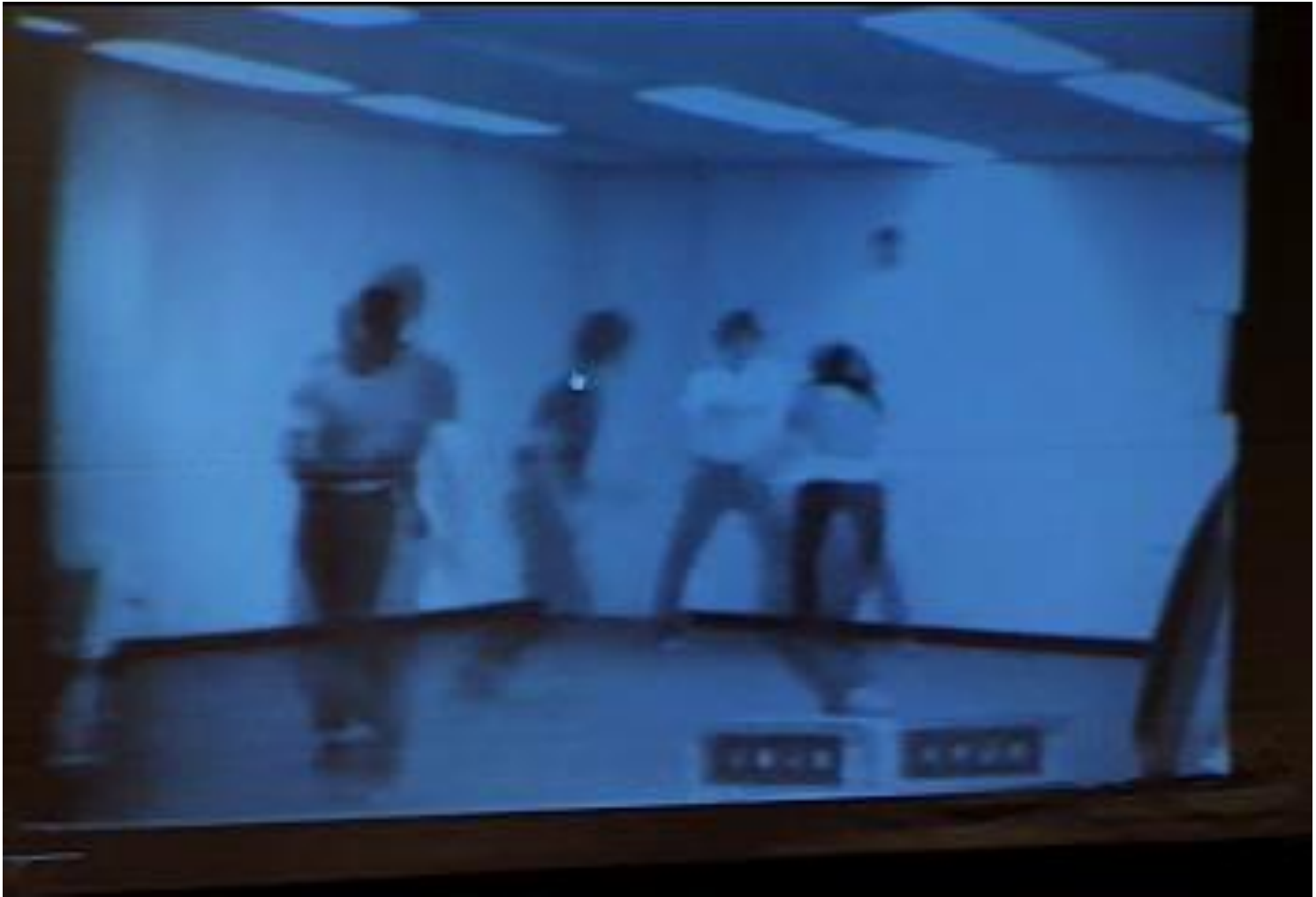
	Cooperate	Defect
Cooperate	3 Reward	0 Sucker
Defect	5 Cheat	1 Punishment

- “Moral hypocrisy”
 - Personal involvement
 - Difference in judgments between own behavior and other’s behavior

Are we ethical? The problem ...

- Are we *blind* for these influences?
- Who we think we are \neq how we really act
- *Example:*
 - Bankers and the financial crisis
 - Security officers allowing short-cuts

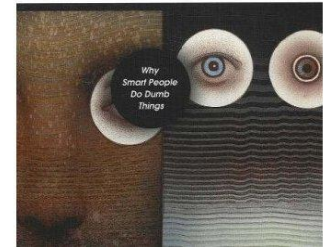
inter
end
con
ere
experts
behaviour
since
atte
transgre
ment
th



Erasmus Centre of Behavioural Ethics



tion b



- Errors in our visual system
 - Also our ethical JUDGMENTS!
- Particularly the case when:
 - Ambiguity – uncertainty
 - Pressure (time, politics, lobbying)
- “Bounded ethicality”
 - Brain and patterns
 - Filters information in certain ways

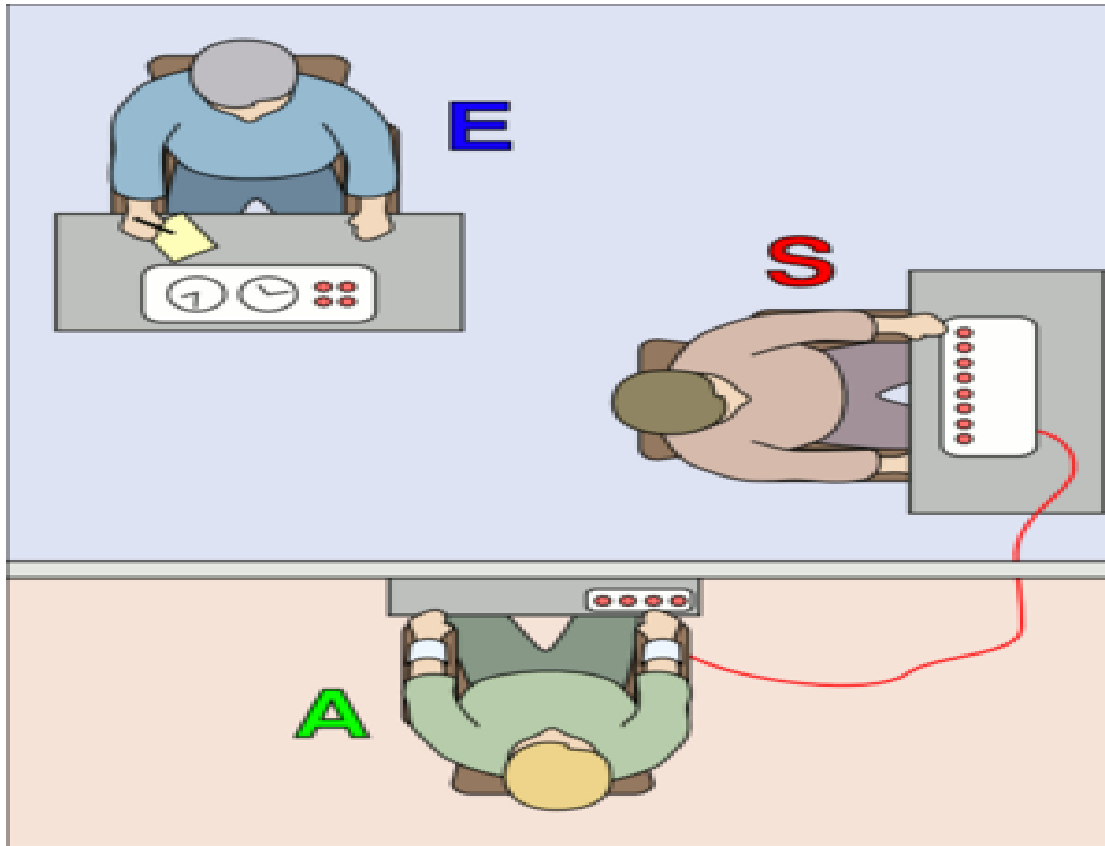
How do we filter ethical judgments?

- *Self-serving biases*
 - Positive image of the self - Human motive
 - Illusion of objectivity
 - Fairness – ethics = eye of the beholder!
- Leads to ... “*Ethical Fading*”
 - See no moral dimension
 - Moral disengagement
- Consequence: *Ethical escalations*

Escalations – slippery slopes

- Bad forecasting
 - I will not do this (self-serving)
 - Underestimate likelihood and severity of a collapse
- People do not see their initial unethical deeds
- When awareness kicks in, it often is too late

Milgram Experiments: Escalation

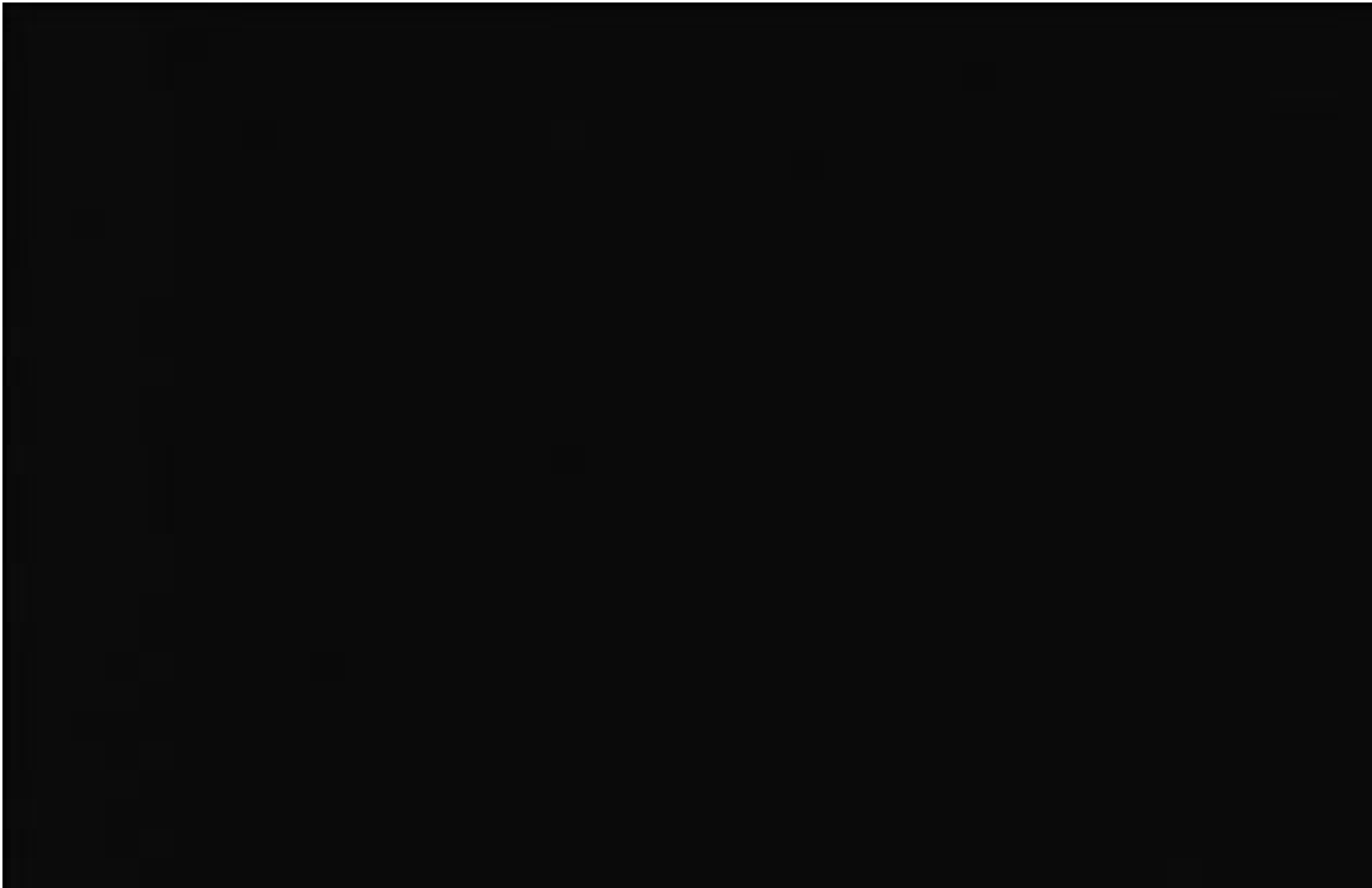


**E –
Experimenter**

**S – Teacher
(Subject)**

**A – Learner
(Confederate)**

inter
end
col
ere
s
experts
behaviour
since
atte
transgre
ment
th



Erasmus Centre of Behavioural Ethics



tion b

Findings

Anticipated behavior:

- Average prediction: 135 volts
- Average estimate for 450 volts (by 40 psychiatrists (experts!)): fewer than 1%!

Actual behavior:

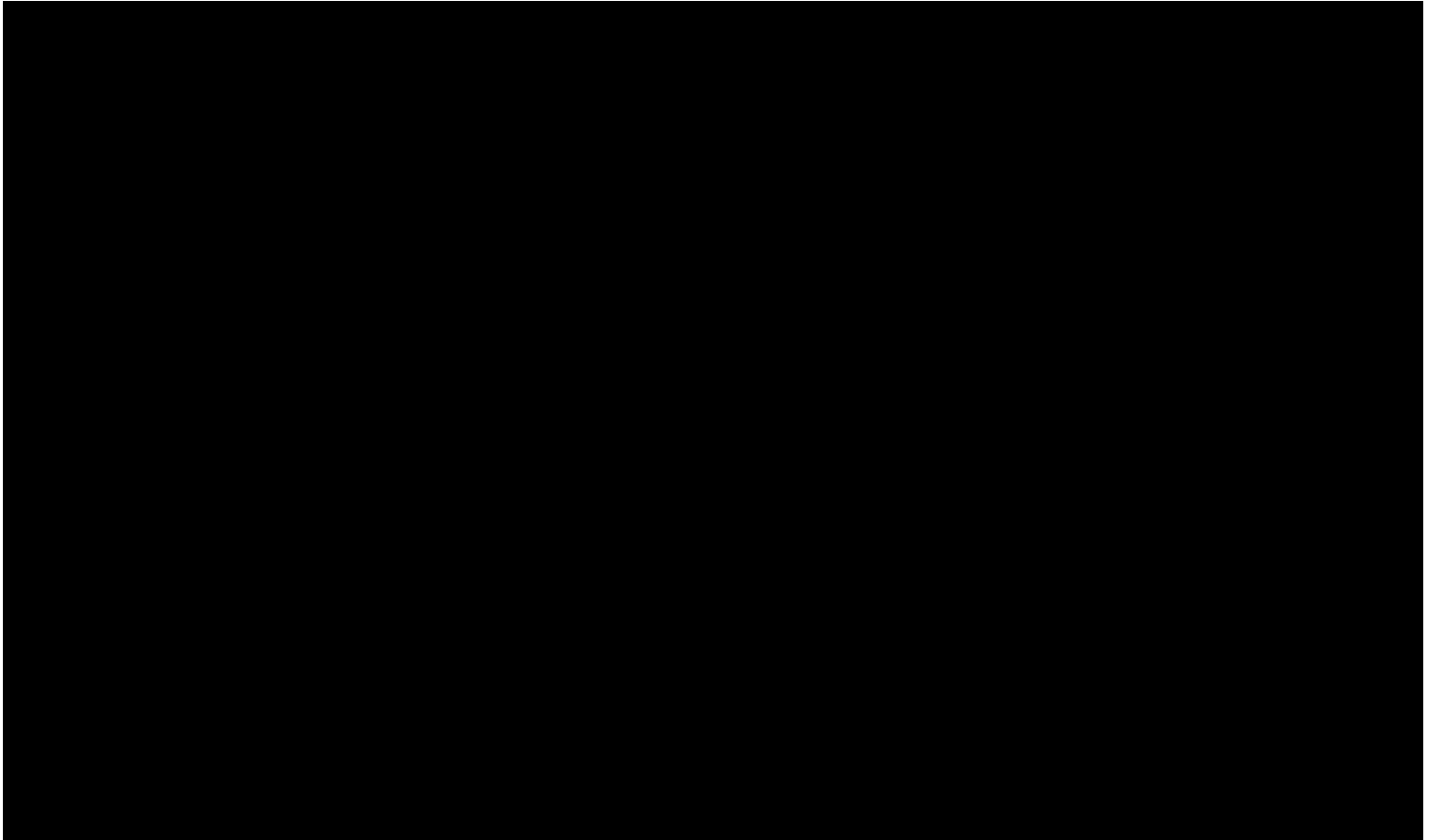
- Compliance rates: 65% to 450 Volts
- Every participants obeyed up to 350 Volts

Slippery slope to un-ethicality

- Boiling Frog Syndrome
 - Consistency and bench mark
- Change Blindness
 - Inability to detect changes in environment
 - Gradual erosion of others' unethicity
 - Less whistle-blowing



The boiling frog



Erasmus Centre of Behavioural Ethics

The Pinto Case



The problem

- Pinto: sales started in 1970
- Issue of safety
 - Gas tank exploded / leaks (low-speed accidents)
- CEO Iacocca: usually it takes 4 years, production process had to be done in 2 years
- Deathly accidents in the years to follow

The context

- **Competition:** first subcompact German and Japanese cars
- **Profit:** Pinto one of the few cars doing well for Ford during the oil crisis
- **Goals:** limits of 2000 (\$ and pounds in weight)
- **Standard beliefs:** small cars are unsafe; safety doesn't sell
- **Tools:** cost-benefit analysis to determine safety standards (human life: \$200 725)
- **Design/manufacturing process:** parallel rather than sequential
- **Who leads:** marketing and finance, not the engineers!
- **Scripts:** training of individuals
- **Norms:** do not use terms like problems of failures

How to deal with ...

- Create awareness
 - Biases – contextual influences
 - What is your motivation?
 - Rehearse and prepare
 - What will be your likely response?
- The organization
 - Who is really running the company?
 - What is not talked about?

How to deal with ...

- Identify ethical sinkholes in the organization
 - Uncertainty
 - Time pressure
 - Where does the lobbying take place?
 - Source of predictable surprises

How to deal with it ...



- **Principiis obsta: Resist the beginnings**
 - Think carefully about what appear to be small transgressions from the norm
- **Finem respice: Consider the ends**
 - Think carefully about where a small deviation today might lead you tomorrow



**“A rule is a guide in the
absence of judgments”**

Erasmus Centre of Behavioural Ethics

The reality of rules

- Codes of conduct do not raise ethical awareness
 - complexity – consciousness
 - Check list
- Rules are a compromise
 - *Minimal* ethical and not *maximal* ethical

