6 Ethical Traps

Stockbyte/Thinkstock

Learning Outcomes

After reading this chapter, you should be able to do the following:

- Summarize the characteristics of defective ethical reasoning and evaluate the reasons and rationalizations for employees to engage in misconduct or participate in business decisions with unethical results.
- Examine common external stimuli that compel people to engage in unethical behavior in business.
- Analyze cognitive biases that interfere with ethical decision making.

Introduction

Small Steps to Big Fraud

Toby Groves grew up in Ohio believing that he was a good person with strong ethical values. After his older brother's conviction of bank fraud in 1986, Toby vowed to conduct business in a transparent and ethical manner. Just over 20 years later, Toby Groves was sentenced to two years in prison for bank fraud, which had begun with small steps to cover financial obligations resulting from poor management of his mortgage lending business.

In 1989, Toby founded Groves Funding Corporation, which would become Greater Cincinnati's 19th largest home mortgage lender by 2007 (Watkins, 2007). The company had a strong values statement and espoused ethical conduct. Jim Cergol, a loan officer at Groves Funding, said, "Our culture was if you do things right, you know, you'll be successful and there's no need to ever be dishonest. You knew you don't cross those lines" (Joffe-Walt & Spiegel, 2012, 03:48–03:59).

In 2004, Toby realized that his company was not as profitable as he had once believed. Small errors in mortgage loan calculations had accumulated to create a company fund shortfall of $250,000. To cover company financial obligations, Toby mortgaged his own home to generate the necessary funds. In order to secure the loan, he inflated his income on the bank's application form. It seemed like a small lie, and at that time, inflating income on mortgage applications was common practice, so the risk of detection was small. Toby rationalized that the funds would save his company and his employees' livelihood. Unfortunately, the need for funds increased after Toby discovered greater losses from risky mortgages. To save his business, Toby began to secure false mortgages—loans on houses that did not exist. The complexity of loan applications meant Toby could not complete the false mortgages alone. He had to include his staff in the fraudulent activities, convincing them that it would be "just this once." By his arrest in 2007, the mortgage fraud had grown to $5.2 million (Baverman, 2008).

What led Toby to lose sight of his values and engage in unethical business? Why would his employees perpetuate the fraud? Toby's story illustrates that ethical misconduct is not the result of a few bad people. It can happen to any employee who fails to recognize the ethics of a decision. Pressures to follow orders, make business goals, and ignore bad news can lead to defective ethical reasoning. Signals of defective reasoning include ethical decisions with one or more of the following characteristics:

1. Few ethical alternatives are perceived, all possible alternatives are not considered.
2. Chosen unethical alternative is not reexamined; it is justified as being the only choice.
3. Rejected ethical alternatives are not reexamined—the decision made is final.
4. Rejection of dissenting opinions; stakeholder input is discouraged.
5. Selective bias of new information; research is conducted for data to support the chosen decision.
6. Win at all costs; meeting company goals overrides ethical alternative (Sims & Sauser, 2013).

Social psychologist Darley (1992) posits that most unethical actions are not committed by evil actors, but by individuals acting within an organizational context. Most people look for others to guide them in the right behaviors and "do what others around them do or expect them to do" (Treviño & Brown, 2004, p. 72). The study of behavioral ethics explores reasons for individual behaviors that occur in the context of larger societal expectations. Research on behavioral ethics examines biases on an individual and group level that hinder ethical decision making (Treviño, Weaver, & Reynolds, 2006).

This Chapter focuses on why well-intentioned people sometimes make bad decisions and fail to follow their own ethical standards. Ethical decisions occur amidst organizational pressures and personal biases. Employees who can recognize the traps that provoke or trick people into illegal or unethical transgressions are more likely to avoid ethical lapses in the workplace. The following sections introduce the study of behavioral ethics and present common traps for unethical behavior as well as suggestions for how to avoid them.

6.1 Why Do Good People Do Bad Things?

One response to ethical lapses in business is to blame the perpetrator, by saying such statements as "That manager was greedy and did not care about who was hurt." Some people consider criminals such as Toby Groves to be **psychopaths**, who display superficial charm, grandiosity, deceitfulness, a lack of remorse, lack of empathy, failure to take responsibility, impulsivity, and antisocial behavior (Kluger, 2008). Media reports use the analogy of a bad apple to describe a rogue employee to explain why ethical misconduct occurs in organizations ("Another bad apple in Japan," 2001; Goldsmith, 2009; O'Boyle, Forsyth, & O'Boyle, 2011). However, not all misconduct is perpetrated by people with psychopathic tendencies or one rogue employee (Andrews & Furniss, 2009). In fact, business ethics scandals involve normally good people who act contrary to their ethical standards. Behavioral ethics psychologists seek to understand why moral people engage in unethical behavior.

Studies of behavioral ethics describe a concept called **bounded ethicality**, which occurs through an unconscious favoring of self-serving biases that impede a person's ability to follow ethical standards (Tenbrunsel, Diekmann, Wade-Benzoni, & Bazerman, 2010). Bounded ethicality restricts an individual from seeing the ethics of a situation. According to Ann Tenbrunsel, ethics professor at Notre Dame and director of the Institute for Ethical Business Worldwide, Toby Groves focused on making the best decision to save his business financially rather than considering the ethics of the decision. Tenbrunsel said, "The way that a decision is presented to me, very much changes the way in which I view that decision and then, eventually, the decision it is that I reach"(Joffe-Walt & Spiegel, 2012, 11:53–12:03). As employees focus on achieving business goals, attention to ethical standards may fade and they may fail to see a blatant violation of organizational rules. This phenomenon relates to **inattentional blindness**, which is the inability to recognize unexpected events or ethical issues that occur during a routine task.

Drew, Võ, and Wolfe (2013) conducted an experiment with radiologists to assess if inattentional blindness could occur in trained professionals. Radiologists were selected because of their acute attention to detail, such as in the early detection of cancerous cells appearing as tiny nodules within the body. For the experiment, they were asked to review slides of lungs for cancerous nodules in which the researchers inserted an unexpected image—a gorilla—within one of the lung cavities (see Photo 6.1). Eye movements were recorded as the radiologists sought cancerous nodules. The study found that 83% of the participants failed to see the gorilla even though most looked directly at its location. Instead, they focused on the task of finding a nodule on the slide. Many simply quit looking after locating the cancerous nodule. While the radiologists in the experiment did not intend to overlook an obvious problem, their inattentional blindness could certainly pose an ethical problem on the job.

Experiential research offers many reasons and rationalizations for unethical behavior with different terminology often used for the same stimuli. Hoyk and Hersey (2008) organized these reasons and rationalizations into three types of social-psychological traps that distort perceptions of right and wrong. **Primary traps** are the "main traps that impel people to move in a certain direction without regard for ethical principles" and include situational factors relating to accommodation to group norms (p. 7). **Defensive traps** are justifications for unethical behavior after the act. Hoyk and Hersey posit that the use of these traps to deny misconduct predisposes individuals for repeated unethical behavior. **Personality traps** consist of internal stimuli in the form of various personality traits that can make people more susceptible to misconduct. Table 6.1 lists psychological traps categorized within each group. Ethical traps can overpower an individual's moral character, blinding him or her from considering the ethical considerations of a decision.

Table 6.1: Psychological traps for unethical behavior

Primary Traps "External"	Defensive Traps "Rationalizations"	Personality Traps "Internal"
Obedience to authority	Anger	Psychopathy
Small steps	Going numb	Poverty and neglect
Indirect responsibility	Alcohol	Low self-esteem
Faceless victims	Desensitization	Authoritarianism
Lost in the group	Reduction words	Social dominance orientation
Competition	Renaming	Need for closure
Tyranny of goals	Advantageous comparison and zooming out	Empathy
Money	"Everybody does it"	
Conflicts of interest	"We won't get caught"	
Conflicts of loyalty	"We didn't hurt them that badly"	
Conformity	Self-serving bias	
Conformity pressure	Addiction	
"Don't make waves"	Coworker reactions	
Self-enhancement	Established impressions	
Time pressure	Contempt for the victim	
Decision schemas	Doing is believing	
Enacting a role		
Power		
Justification		
Obligation		

Source: Hoyk, R., & Hersey, P. (2008). The Ethical Executive. *Stanford, CA: Stanford University Press.*

Each of these ethical traps represents a rationalization that individuals or organizations use to justify their acts. When scrutinized for a specific action, decision makers may respond by offering justifications. There is a subtle difference between a justification and an excuse. According to Coughlan (2005), a justification entails accepting responsibility for the action and defending the action by citing ideological reasons, whereas excuses imply inappropriate actions due to mitigating factors. In other words, justifications emphasize "I am ethical," and excuses stress "It's not my fault." The inclination to presume that other people make bad choices because they are bad people whereas our bad choices are the result of a difficult situation is what researchers call the **fundamental attribution error** (Prentice, 2007).

How can employees overcome situational factors and biases in ethical decision making? Prentice (2007) provides four steps to avoid falling into an ethical trap:

1. Know the cognitive biases facing decision makers;
2. Be motivated to correct the bias;
3. Recognize the magnitude and direction of the bias; and
4. Adjust the response accordingly.

The first step entails a capacity to recognize rationalizations that restrict ethical reasoning. The second step requires an individual to want to overcome the biases that inhibit ethical decisions. The third step involves an evaluation of the likelihood for organizational or individual pressures to influence the ethics of an employee's decision. As a final step, employees should test decisions for biases and adjust accordingly. This step aligns with the final step of the ethical decision model in Chapter 5 to monitor outcomes by considering how the decision models ethical behavior.

It is unlikely that every ethical trap provided by Hoyk and Hersey (2008) will be present in all situations and organizations. Understanding common ethical traps allows employees to avoid misconduct while becoming more effective in responding to others' rationalizations. Next, we will explore the most common ethical traps found in business, consider examples of how to recognize each trap, and evaluate possible approaches to preclude or escape the trap.

6.2 Pressures from Others

Behavioral ethics research has found that the interpersonal influences of peers and leaders in the workplace shape ethical behavior (Treviño, den Nieuwenboer, & Kish-Gephart, 2014). An organization's authority structure and culture exert pressures to accommodate workplace norms. Psychologists recognize that humans seek to conform to group expectations and minimize disruption within a social group. Szanto (2014) found that groups have a strong influence on decision making. He observed that language used in corporate settings often relates to a group decision rather than individual decisions, such as "The committee really made a mess of that decision," "The team tried its hardest," and "The corporation regrets the decision of its subsidiary to use child labor in its factory" (Szanto, 2014, p. 100).

Pressures from others include following orders from an immediate supervisor, peers, and teams. Striving to meet an organization's expectation for immediate results creates time pressures on employees that can result in shortcuts and ethical misconduct. Compensation and monetary incentives also affect the ethical behaviors of employees as they strive to succeed in the organization (Chen & Sandino, 2012; Tenbrunsel, 1998).

Personality traits often influence the likelihood for unethical behavior when encountering organizational pressures and situational factors. For example, individuals in countries with a high collectivism predisposition promote obeying supervisors and group conformity even when actions are contrary to personal values (Snell, 1999). Collectivism is a dimension of national culture that Hofstede (1980) describes as "a tight social framework in which people distinguish between in-groups and out-groups; they expect their in-group (relatives, clan, organizations) to look after them, and in exchange for that they feel they owe absolute loyalty to it" (p. 45). Carsten and Uhl-Bien (2013) found that employees holding an inflated view of a manager's importance are more likely to follow orders regardless of ethical considerations.

Obedience to Authority

A common theme throughout the ethical traps presented in this section is the concept of loyalty. Employees who hold a moral belief of loyalty to the work group or organization tend to mimic the behavior of other group members (Murphy & Dacin, 2011). Maintaining loyalty to a supervisor fosters **obedience to authority**, or following orders without thinking of conflict with ethical principles. Loyalties to family, friends, or the firm become more important than loyalty to unknown customers or shareholders. For example, an employee may see fraudulent accounting entries as a way to help the organization despite the inevitable harm to shareholders (Murphy & Dacin, 2011). Toby's justification to save jobs and keep the company viable is an example of such loyalty. An obligation of loyalty creates a reluctance to report unethical behavior within an organization (MacGregor & Stuebs, 2014), explaining why Toby's employees complied with the fraudulent mortgage applications.

Obedience to authority is manifested in two forms. First, many employees immediately obey their supervisor without taking the time to consider conflicts with their own ethical principles. This tendency to follow a leader without question is rooted in childhood lessons to obey parents and teachers (Hoyk & Hersey, 2008, p. 6). Second, the employee may recognize an order as unethical, yet the obligation to obey is so resilient that it overrides his or her moral judgment. Often, the fear of retribution or loss of employment compels an employee to engage in ethical misconduct. For instance, Snell (1999) reported an interview of a worker in Hong Kong who stated, "I did what he asked and went to the other office although I was not completely willing. I was confused and did not know whether I did the right thing. I followed his instructions because he was my boss. It was very difficult to refuse as I was afraid there might be a negative impact on my career prospects" (p. 514).

Ethically questionable in and of themselves, Stanley Milgram's experiments during the 1960s have provided insights into the dangers of blind obedience to authority. The subjects were divided into pairs: one was designated the teacher while the other was the learner. The learner was asked to perform a word association test. Researchers instructed the teacher to deliver electric shocks to the learner each time he or she provided an incorrect answer. As the electric shocks increased, the learner (who was actually a confidant in the experiment) issued screams of agony and requests for the teacher to stop the test. Even though many of the individuals were uneasy with continuing the exercise, almost two thirds of the participants followed the experimenter's instructions to administer injurious electric shocks to a seemingly innocent victim (Milgram, 1963).

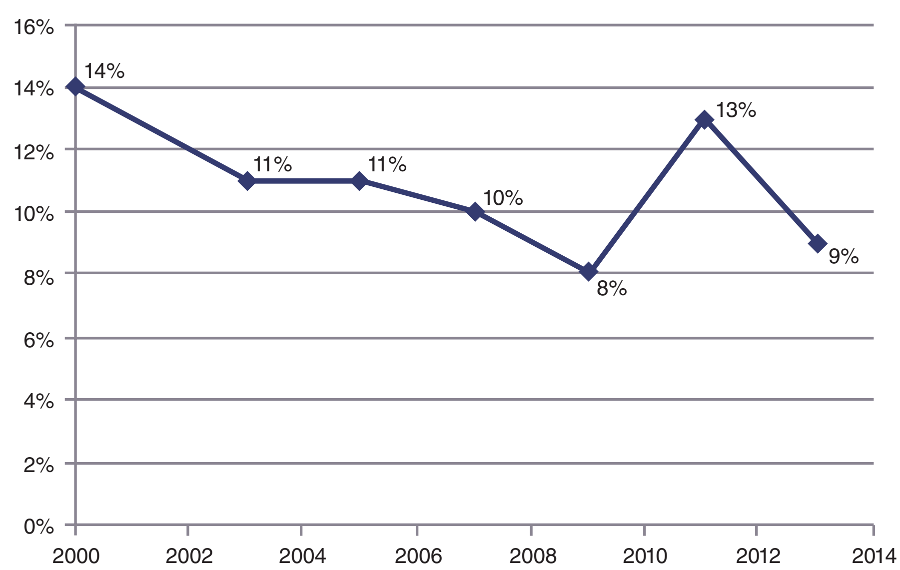
Subsequent research on obedience to authority relates to business contexts. Treviño, Weaver, Gibson, and Toffler (1999) found that organizational cultures that require unquestioning obedience to authority create an environment where employees are unwilling to report an ethical or legal violation and reluctant to deliver bad news to management. A study of business managers provided further support of the role of obedience to authority in misconduct in the workplace. Smith, Simpson, and Chun-Yao (2007) found that managers are more likely to engage in unethical behaviors or violate the law when ordered to do so by a supervisor.

Witness testimony in the WorldCom fraud (presented in Chapter 3) highlights the difficulty whistle-blowers face when they attempt to report unethical behavior to unreceptive authority. Accounting employees at WorldCom who reported wrongdoings to management were met with aggressive and demeaning reactions. One former division manager admitted knowing of the improper accounting entries and expressing concerns, and said, "No one would listen to us when we complained" (Haddad, Foust, & Rosenbush, 2002, p. 40). Whistle-blower Cynthia Cooper stated, "When I received an E-mail from the controller telling me that I was wasting my time auditing capital expenditures, it made me uncomfortable" (Homer & Katz, 2008, p. 40).

The Ethics Resource Center (2013b) found that the lack of an organizational ethics program can lead to blind obedience to authority, whch leads to unethical behavior. Figure 6.1 shows the percentage of employees who feel pressure from others to engage in ethical misconduct. There was a large decrease in this percentage since the 2011 survey, which is attributed in part to an increase in the number of companies that provide ethics training, include ethical conduct as a performance measure in employee evaluations, and discuss disciplinary actions of ethical violations with employees (Ethics Resource Center, 2013b).

Figure 6.1: Percentage of employees feeling pressure to break the rules

There has been a 4% decrease in the percentage of employees who feel pressured to break the rules between 2011 and 2013.



Source: Ethics Resource Center. (2012). 2011 National Business Ethics Survey®. Arlington, VA.

Ethics Resource Center. (2013). National Business Ethics Survey of the U.S. Workforce. *Arlington, VA: Ethics Resource Center.*

What is the best way to handle a situation in which a supervisor suggests that his or her reports "look the other way," or do something that is contrary to their ethical principles? Employees should immediately refer to the organization's code of conduct or mission, professional code of conduct, the industry codes of conduct, or the applicable government regulations. They should then look to other authorities for direction and support. This may include the supervisor's boss, the ethics department, or government regulators to whom they should explain why their supervisor's direction is not in line with standard and legal policies.

A problem for many employees is the intense anxiety that results from the obedience to authority trap. Employees who fear job loss, missed promotions, poor evaluations, and low merit increases may feel as if there is no other choice than to follow orders. To alleviate these fears, employees may want to consider leaving the company in order to avoid engaging in unethical and possibly illegal activities. Having some savings or being aware of other available positions may make it easier to avoid the obedience to authority trap.

Managers should strive to create an ethical climate that encourages employees to question authority or raise ethical issues. Leaders who work with employees to set goals and achieve organizational outcomes can increase employee willingness to report unethical actions and reduce blind obedience to orders of ethical or legal violations (Barsky, 2011; Carsten & Uhl-Bien, 2013). Encouraging an employee to play devil's advocate can alleviate reliance on one person's authority. Morck (2008) recommends that independent directors on a corporate board act as dissenting peers whose role is to bring up ethical concerns.

Small Steps

Oftentimes, managers or employees do not recognize the ethics of a situation because of small changes in ethical behavior over time. Many terms describe the ethical traps relating to small steps, such as *incrementalism* (Prentice, 2007), the *boiling frog syndrome*, or the *slippery slope*. According to Gino and Bazerman (2009), many unethical behaviors occur "as the result of people unconsciously 'lowering the bar' over time through small changes in their acceptance of others' ethicality" (p. 714).

A progression toward more unethical behavior occurs in part by the concept of just-noticeable difference—the smallest difference between two stimuli that a person is able to notice (Palazzo, Krings, & Hoffrage, 2012). In business decisions, the reference point for a decision today is yesterday's decision. Today's decision might transgress from ethical norms just slightly more than yesterday's, making the ethicality of the action more acceptable. After all, the action is not that much different from what was done in the past. Therefore, employees view small steps of violation as not perfect but acceptable, because those steps seem to deviate only slightly from what they perceive as the right thing to do.

Major financial crimes can begin with small steps. The WorldCom scandal began as a series of small accounting transactions. Another example is that of Bernie Madoff, who is currently serving 150 years in prison for running a multibillion dollar Ponzi scheme. How could the reputable owner of an investment firm and former chair of NASDAQ become the mastermind of a Ponzi scheme affecting 16,519 investors? Madoff described his slide down a slippery slope in a statement to the court: "When I began the Ponzi scheme I believed it would end shortly and I would be able to extricate myself and my clients from the scheme. However, this proved difficult and ultimately impossible . . ." (United States District Court Southern District of New York, 2009, p. 23). Another example of a financial professional falling into the slippery slope trap is Michael Milken, who took small steps to conceal risks of the junk bond market. Over time, the concealments amassed into blatant financial improprieties that contributed to the demise of investment banking firm Drexel Burnham Lambert (Cohan, 2002).

Solutions for avoiding ethical traps related to incrementalism are not simple. By definition, the changes to ethical norms occur slowly over time and are largely unnoticed. One recommendation is to assess the organization's ethical climate against its ethical principles. A review of historical moments that define the current decision-making criteria can expose small shifts in ethical reasoning. Palazzo et al. (2012) propose that organizations challenge current decision-making routines and encourage moral imagination. **Moral imagination** is "an ability to imaginatively discern various possibilities for acting within a given situation and to envision the potential help and harm that are likely to result from a given action" (Johnson, 1993, p. 202). Encouraging employees to reference ethical principles rather than most recent decisions promotes ethical decision making and avoids the ethical trap of small steps to misconduct.

Conformity

The theory of social proof states that most people evaluate the actions of others to define proper behavior. The desire to fit into an organization, be a team player, and get along with coworkers creates a culture of conformity. People are more likely to undertake unethical actions in the workplace and elsewhere if peers are engaging in similar behavior, and less likely to blow the whistle on unethical activity when peers seem to accept it. People falling into the ethical trap of conformity often say, "Everyone else is doing it." Hoyk and Hersey (2008) have identified three traps: conformity, conformity pressure, and "don't make waves" to describe **conformity bias**, a tendency for people to align their judgments to those of their reference group. Conformity to group norms is an expected part of the workforce, providing employees with guidance in office etiquette, addressing coworkers, and celebrating success. However, a conformity bias can lead to unethical decisions by following the ethical judgments of the group (Prentice, 2007).

Conformity pressure refers to the use of sarcasm and punishment to enforce conformity in the group. Employees describe those that break from the norm as naïve, unwilling to make difficult calls, not a team player, and/or not committed to the organization. Consider a situation in which a general manager tells an employee who is attempting to report safety problems that he or she is being "both absurd and naïve" (Wachter, 2011, p. 50). Often coworkers label a recommended action as naïve if they cannot imagine a way to act on it and maintain business success. When coworkers believe an employee's decisions hurt the group or the firm, they isolate the employee for not conforming to the group—calling him or her disloyal and not a team player (Hoyk & Hersey, 2008).

Conformity pressures discourage employees from reporting ethical considerations. People tend to avoid confrontational issues. "Don't make waves" or "don't rock the boat" are expressions that compel employees to conform to group norms (Hoyk & Hersey, 2008, p. 44). The accounting fraud of WorldCom is also an example of conformity bias. As discussed in the ethical trap of obedience to authority, division managers who attempted to report fraudulent transactions were met with resistance by management, which created conformity pressure. Therefore, employees at WorldCom preferred to remain silent on ethical violations. Expressing opinions that are contrary to those of peers evokes emotional stress that makes whistleblowing very difficult for an employee (Prentice, 2007).

Overcoming social pressures to conform is difficult and requires courage in order to dissent from the group. Hoyk and Hersey (2008) recount the story of a newly hired chemist at Monsanto who discovered that all employees were required to work Saturday mornings, even though the employee agreement was for Monday through Friday. When told he must also report on Saturdays, he arrived for his first weekend shift only to learn that it was unpaid time. The chemist left the building, and planned to leave the company if that practice continued. In demonstrating the courage to break the group norm of working on Saturdays, all of the other employees refused to work Saturdays unpaid, which resulted in a change of company policy. Gentile (2010a) considers the act of speaking up as setting a powerful example for coworkers to follow, showing that conformity pressure can be used to promote ethical behaviors.

Pressures to conform to the group can transcend formal codes of ethics and ethical training. Organizational ethics programs have little effect if they are inconsistent with informal group norms that guide employees' behavior (Gonzalez-Padron, Ferrell, Ferrell, & Smith, 2012). Informal group norms are the mechanism by which employees "learn the 'true values' of the organization" (Bazerman & Tenbrunsel, 2011a, p. 117). Informal group norms form through employee stories, observations, and experiences of acceptable behavior such as the message that supervisors give during performance evaluations. Managers should understand the role they play in preventing a culture of misconduct from permeating the organization. To help create informal norms of ethical behavior, managers should be role models in ethical decision making, supportive of subordinates' ethical attitudes, and appreciative of ethical behaviors in performance evaluations.

Time Pressures

In a typical workplace, managers must respond to multiple requests from supervisors, subordinates, customers, business partners, and suppliers. Deadlines to deliver new products ahead of competitors or to meet customer orders can create a time pressure that can lead companies to ignore warnings of product failure. After three years of delays on the launch of a new 787 Dreamliner, Boeing was under pressure to deliver the innovative aircraft. Shortly after the launch, Boeing had to correct mechanical failures of electrical systems that caused grounding of the aircraft (Ostrower, 2012). The delays and subsequent mechanical failure increased the cost of the airliner to $200 million (Fontevecchia, 2013). Time costs money in business.

Hoyk and Hersey (2008) explain the ethical trap of time pressure by stating, "Good ethics takes time" (p. 48). Research provides compelling evidence that time pressure seriously impairs decision making and minimizes ethical awareness. Workplace pressures reduce the time that decision makers have to solve ethical problems, at times forcing them to accept "risks that are morally marginal and sometimes illegal" (Scott & McManus, 2010, p. 35). Individuals tend to rely on **moral heuristics**, or decision-making processes based on previous experience, intuition, or simple moral reasoning when a situation calls for a quick response. Examples of moral heuristics include "lying is wrong," "do not tamper with nature," or asking "what would <ethical role model> do?" (Lapsley & Hill, 2008). The heuristic to preserve one's possessions leads individuals to avoid losses (e.g., losing the client, company, or a purchased asset) and to not consider alternative solutions to the problem (Kern & Chugh, 2009).

Studies have shown that auditors under time pressure are more likely to engage in unethical behaviors such as signing off on work as completed without actually finishing the audit or ignoring discrepancies (Pierce & Sweeney, 2010). The consequences of this unethical conduct can be costly for an organization. Consider the situation of Toby Groves and Groves Funding Corporation at the beginning of the chapter. The fraudulent mortgages passed multiple audits, allowing the practice to escalate up to $5 million. The repercussions to the company, Toby, and his employees would not have been as severe if an auditor found the original fraudulent transaction of $250,000.

Removing the time pressure allows for a more comprehensive ethical analysis. Akrivou, Bourantas, Mo, and Papalois (2011) recommend that leaders seek time for reflection away from social pressures that distract them from decision making. Moberg (2000) provides organizations with three steps to alleviate time pressures on its employees:

1. Identify jobs in which moral decisions must be made under time pressure. For example, airline pilots may need to make quick decisions while in flight. In business, decisions regarding safety often require decisive action, such as halting production upon learning of defective equipment.
2. Select individuals equipped to make ethical decisions under time pressure. Companies should choose individuals with strong moral character and a demonstrated ability to make decisions under pressure. The military tests recruits for moral maturity and trains officers on ethical reasoning in combat situations.
3. Train individuals to make ethical decisions under time pressure. Organizations should develop heuristics or ethical principles to guide employees to quickly decide on the right thing to do.

Groupthink

Groupthink is a psychological phenomenon that occurs when a group of people is tasked with making a decision. The pressure to achieve unanimity as a group impairs each individual's ability to consider alternative courses of action (Janis, 1973). Group members become so intent on arriving at a decision as a cohesive unit that they set aside their personal ethical principles. Similar to conformity bias, peer pressure, or fear of being viewed as different from others, groupthink discourages expression of dissenting opinions. It is one of the reasons employees may not report unethical behavior, product safety issues, or legal violations. Groupthink may have played a role in the housing market collapse that led to the economic crisis in the United States (Sorscher, 2010). Financial firms reporting confidence in the housing market alleviated individual concerns for the stability of the market. Maintaining the group belief that housing prices would continue to rise encouraged risky investments by investors. Janis (1973) describes eight symptoms of groupthink (see Table 6.2).

Table 6.2: Symptoms of groupthink

Overconfidence	Illusion of invulnerability
	Belief in inherent morality of group
Closed-Mindedness	Collective rationalization
	Stereotypes of outside groups
Group Pressure	Pressure on dissenters
	Self-censorship
	Illusion of unanimity
	Self-appointed mind guards

Source: Janis, I.L. (1973). Groupthink and group dynamics: A social psychological analysis of defective policy decisions. Policy Studies Journal, 2*(1), 19–25.*

The first two symptoms of groupthink represent the inflated confidence in the group's decision-making capabilities, which leads to the expectation that the group will make the right decision. An illusion of invulnerability occurs when group members feel they are above criticism. Groups that share this belief are overly optimistic and prone to taking unwarranted risks. Group members who hold an indisputable belief in the group's morality feel they are moral in their actions and therefore above reproach. Relying on the ethicality of the group allows individual members to dispense with their personal ethical principles. Displaying symptoms of groupthink within the organization, most Enron employees consistently expressed overwhelming confidence in the morality of the company strategies that led to risky and illegal accounting practices (Prentice, 2007).

The next two symptoms of groupthink relate to the tendency of group members to display closed-mindedness, thus limiting consideration of other alternatives for the situation. Collective rationalization occurs when group members invent explanations to protect themselves from any feedback that would challenge their operating assumptions. The goal of collective rationalization is to make group decisions appear logical and acceptable (Sims & Sauser, 2013). Groups susceptible to groupthink underestimate the capabilities of other groups such as internal departments, competitors, and regulators. Group members stereotype these other groups as weak or stupid. Because of this perception of others, the group fails to consider the views of relevant stakeholders in a decision. By not seeking information from other groups, they can lose valuable facts that would enhance the decision-making process.

The remaining symptoms of groupthink relate to processes that ensure cohesiveness and agreement within the group (Aldag & Fuller, 1993). The expectation is that group members remain loyal to the group's beliefs, opinions, stereotypes, and decisions. Dissenters are coerced into going along with the group, leading to self-censorship, which emerges when group members keep doubts about a decision or course of action to themselves, limiting critical analysis of decisions. The self-censorship of those who feel doubt creates the illusion of unanimity within the group. The group mistakenly assumes that everyone agrees, taking silence as consent. The final symptom of groupthink is the emergence of self-appointed mindguards, or members who take it upon themselves to protect the group from nonconforming opinions. Mindguards maintain the value and morality of the group's decisions by keeping out any dissenting information that might lead them to question their actions.

The Space Shuttle Challenger disaster in 1984 is a common and devastating example of groupthink. Investigations of the accident found that engineers of a National Aeronautics and Space Administration (NASA) contractor informed their managers of the dangers posed by cold temperatures, yet the managers failed to report concerns to NASA. The managers' disregard for the engineers' concerns is a symptom of groupthink—ignoring adverse information—resulting in a disastrous breach in safety procedures (Credo, Armenakis, Feild, & Young, 2010). Esser and Lindoerfer (1989) analyzed the Challenger investigative report for evidence of groupthink. They found that instances of groupthink were high during the 24 hours prior to the launch and may have contributed to the defective decision not to report dangers of launching the space shuttle.

Studies have shown that the high cohesion of sports teams leads to groupthink in which players are not willing to express dissent. The shared pursuit of a common goal fosters groupthink to ignore challenges. One study found that some youth sports team players overestimate their performance and are unwilling to address any problems with the coach (Rovio, Eskola, Kozub, Duda, & Lintunen, 2009). In a more recent ethics scandal, *Time* magazine reporters Cohen and

DeBenedet (2012) blamed groupthink for the ongoing abuse of youth players at Pennsylvania State University. They identified characteristics of the sports program at the university that align with symptoms of groupthink. For example, the athletic department set itself above the law, avoided transparency, evaded oversight, and protected itself at all costs. Managers ignored reports of the abuse and offered nominal explanations for the conduct. These examples show that any group or organization can become susceptible to groupthink. See *Checklist: Is Your Team Susceptible to Groupthink?* for questions to assess for groupthink.

Checklist: Is Your Team Susceptible to Groupthink?

Groups should ask, "Are we allowing ourselves to become victims of groupthink?" Consider decisions made by your work team, sports team, or class team. How many of the following occur regularly?

- ___ Members criticize others who raise questions concerning a selected solution.
- ___ Team members are reluctant to communicate relevant information.
- ___ When new information is contrary to a decision, members engage in rationalization of the group's earlier decision.
- ___ Members withhold raising objections in order to maintain team unity.
- ___ All members completely agree to the selected solution.
- ___ The leader of the team discourages open communication.
- ___ Team members fail to survey as many alternatives as possible to solve the problem.
- ___ Team members fail to reevaluate a solution for unforeseen risks after adoption of a solution.
- ___ Team members fail to obtain expert advice or qualified information from outside the team.
- ___ Team members fail to consider the advice of others when contrary to the preferred solution.
- ___ Team members fail to develop contingency plans if the first solution does not work.

Source: Adapted from "The Organizational Application of Groupthink and Its Limitations in Organizations," by J. N. Choi and M. U. Kim, 1999, *Journal of Applied Psychology, 84*(2), pp. 305–306.

Questions to Consider

1. Which of these symptoms are most visible to members of your team? Are there any symptoms that team members may not readily recognize? Why is it difficult to see groupthink in your own team?
2. Do you think that a team with strong cohesiveness that exhibits groupthink symptoms can still be effective in making ethical decisions?
3. How can your team prevent or reduce the negative effects of groupthink?

To prevent groupthink, groups and group leaders need to encourage critical analysis of alternative solutions. Ben-Hur, Kinley, and Jonsen (2012) have identified three behavioral levels to encourage the debate of ideas, open expression of concerns, and good decision making:

1. Knowing—understand the information needs for good decisions and manage the flow of information to the executive team.
2. Saying—make sure people can say what needs to be said.
3. Sustaining—make solutions sustainable.

The first behavioral level relates to an openness in communication to encourage the flow of information. One method to gather new data is to explore sources outside the group for information and ideas relevant to the situation. Another method is to encourage each group member to be a critical evaluator. The role of the group leader is to create a culture of sharing information; therefore, leaders should not take a strong stance early in the discussions.

The second behavioral level relates to overcoming conformity biases that inhibit group members from expressing concerns or opinions. Discouraging criticism of dissenters can reduce the fear of speaking up. The challenge with creating a culture of open dialogue is that some group members may become too assertive in expressing their views, creating a need for the leader to set boundaries.

The third level looks at how to ensure the sustainability of solutions by enhancing group decision making. There are a number of ways to encourage continuous improvement of group decision making and avoid reverting to groupthink. First, the group should refrain from seeking unanimous agreement, and allow for dissenting opinions. Second, a group member should be assigned the role of challenging assumptions as a devil's advocate. Intentional conflict by a group member promotes critical analysis and dissent without creating hard feelings among the group (Sims, 1992). Groups should rotate the role of devil's advocate to encourage differing opinions and approaches to making a decision. Third, the group should establish a critical review process to consider possible consequences of an action. The review process can take the form of a second meeting or a final checklist. Finally, group members should take the time to reflect on the decision-making process.

Competition

While it is an essential and inevitable part of doing business, competition with other companies and even between individuals and groups within an organization can impede ethical decision making. Without a strong ethical climate, cutting corners or taking shortcuts becomes a way to remain competitive (Jackson, Wood, & Zboja, 2013). Palazzo et al. (2012) assert that aggressive competition fosters a perception among workers of an "us vs. them" view of the world, which can lead to hostility and unethical behavior toward members of other groups or firms. This view leads to groupthink and intense performance demands. In the 1970s, strong pressure from other small car manufacturers prompted Ford to rush the release of the Pinto even after production tests revealed a flaw in its design (Bazerman & Tenbrunsel, 2011b). Ford's focus on beating the competition resulted in fatal explosions from rear-end collisions.

Competition affects ethical decision making in many different areas. Studies of negotiation have identified factors that drive unethical conduct, which include the nature of competition and the desire to beat the other party in a competitive environment (Fassin, 2005). Cohen, Ding, Lesage, and Stolowy (2010) found that firms experiencing a high degree of competition are more at risk for corporate fraud. When managers view unethical practices as the way things are done, the behaviors become a norm of competition. Collins, Uhlenbruck, and Rodriguez (2009) found that managers in India rationalize corruption as a common and acceptable means of competition.

When rivalry is intense, irrational decision making can generate unexpected and negative consequences that affect a firm's performance. Malhotra, Ku, and Murnighan (2008) coin the term **competitive arousal** as the emotional state of "win at all costs." Managers experiencing a strong competitive arousal shift their goals from creating organizational value to beating an opponent at almost any cost. This blinds the managers to other considerations, including ethical dimensions of a decision.

Malhotra et al. (2008) have provided examples of grievous errors in negotiation, such as those made by Boston Scientific Corporation when acquiring the medical device manufacturer, Guidant Corporation. Originally, Johnson & Johnson planned to acquire Guidant for $25.4 billion, until Guidant recalled faulty pacemakers. Given that the recall represented 56% of Guidant's production, Johnson & Johnson threatened to pull out. A bidding war ensued between Johnson & Johnson and its rival company, Boston Scientific. Boston Scientific eventually acquired Guidant for $1.8 billion more than Johnson & Johnson's initial bid and within six months were forced to issue additional recalls for faulty Guidant pacemakers. Why would a reputable company like Boston Scientific make such a bad decision to acquire Guidant with known product defects? Head-to-head rivalry can lead to competitive arousal and interfere with rational decision making (Malhotra et al., 2008).

There are two possible strategies for avoiding the negative effects of competitive arousal on ethical reasoning and effective decision making (Malhotra et al., 2008). The first strategy involves avoiding competitive interactions that have the potential to escalate to personal animosity and combative tactics. Based on previous experience as well as industry best practices, company leaders can identify potentially harmful dynamics that might hinder management's ability to make rational decisions. For example, acknowledging that bidding wars might elicit competitive arousal, company leaders can create a policy that restricts managers from participating in them. When possible, managers should seek to restructure the decision-making process to inhibit personal animosities from clouding their judgment. For example, managers can structure contracts to include noncompeting clauses that restrict suppliers from doing business with competitors.

The second strategy for minimizing the risks that cause excessive competitive arousal involves defusing rivalry. Tactics for defusing rivalry include adopting a competitor's perspective, sidelining managers who feel rivalry the most intensely, and quantifying in advance the costs a company is willing to incur in order to win. By considering how a competitor would rationally engage in bidding can encourage all parties to avoid emotionally charged decisions. It may also be necessary to remove team members who experience the most intense desire to win from a decision team. Finally, best practices dictate that the company determines the cost limit in advance of making a decision.

The ethical traps from external pressures can impede moral decisions within an organization. The traps are not isolated rationalizations for ethical misconduct; rather, they interact to allow ongoing unethical behaviors in the workplace to go undetected: obedience to authority can escalate from small steps to ethical crises; conformity biases predicate groupthink; time pressures and competitive pressures contribute to defective ethical reasoning. Employees must learn to recognize these potential ethical traps and implement steps to avoid falling into them.

6.3 Fallacies

In addition to the pressure exerted by others to make ethically questionable decisions, everyone engages in internal cognitive processes that may or may not lead to the best possible decisions. According to Lamar Pierce, professor and economist at Washington University in St. Louis, “We may really want to get it right, and be ethical and be moral, but the problem is that we just have all these cognitive biases and cognitive limitations that just don’t let us get it right” (Joffe-Walt & Spiegel, 2012, para. 19).

Toby Groves desired to be an ethical businessperson. Recall Wendel Torres from Chapter 1, the co-founder and chief executive officer (CEO) of a small construction company, who considered himself an honest and ethical person. Why do business leaders make poor decisions that lead to unethical and illegal activities? Without realizing, people tend to develop shortcuts and simplifications to aid in decision making that can give them a false sense of ethicality. Eventually, individuals rely on **cognitive biases** in most decisions, which are errors in thinking and reasoning that alter their perceptions. These cognitive limitations generate flaws that can lead to incorrect conclusions and increase the risk of unethical actions. Prentice (2007) warns financial professionals that “even well-intentioned people can stumble into ethical minefields if they do not keep their ethical antennae up and guard against errors in judgment that are commonly made—errors that, indeed, people are often predisposed to make” (p. 17).

Most people desire to maintain a pretense of ethical reasoning and describe themselves as ethical. To rationalize unethical actions, people refer to strongly held beliefs and heuristics, which they use to guide their moral reasoning. If not scrutinized closely, the heuristics incorporate biases that are seemingly credible (Russell & Gregory, 2011). For example, Prentice (2007) describes an acceptability heuristic where employees seek the action that will be acceptable to their superiors rather than the ethical alternative. People filter information about themselves to maintain a positive image of their morality. The result of these biases is that most people are overconfident in their own ethicality and tend to make decisions without reflecting deeply on the ethical dimensions (Tenbrunsel et al., 2010).

Confidence is good for business. Without confidence in their abilities, managers would hesitate to innovate or implement new strategies (Roxburgh, 2003). However, **overconfidence** hampers the ability to predict one’s own capabilities, prompting a higher estimate of abilities than warranted. “Most of us appear to believe that we are more athletic, intelligent, organized, ethical, logical, interesting, open-minded, and healthy—not to mention more attractive—than the average person” (Gilbert, 2006, p. 229). Messick and Bazerman (1996) call this unrealistically positive view of oneself the illusion of favorability. Therefore, people tend to take personal credit for success and blame others for failures. Tenbrunsel et al. (2010) suggest that overconfidence in one’s ethicality results in ethical fading, defined in Chapter 1 as a process by which a person does not realize that the decision he or she is making has ethical implications and thus ethical criteria do not enter into his or her decision. Ethical fading creates a misperception of morality that one is acting in line with personal ethical principles.

Overoptimism

Related to overconfidence is the problem of **overoptimism**, or an individual’s misperception that he or she has a high probability of achieving success and the belief that he or she is immune from detection of wrongdoing (Cohan, 2002; Roxburgh, 2003). People tend to believe that they will experience a better future relative to others. A good example of overoptimism is reflected in an individual's desire for a lasting marriage despite statistics about the rising risks of divorce. Many people have the perception that their marriage will last longer than the average and they are less susceptible than others are to divorce (Messick & Bazerman, 1996). Other examples include a belief that one is unlikely to succumb to alcoholism, peer pressure, or greed. In business, managers that believe themselves to be relatively immune from failure are more likely to expose themselves and their organizations to risks while ignoring the possibility that the public will find out (Messick & Bazerman, 1996).

Leaders that exhibit overoptimism give others false hopes of success. For example, during the failed expedition to Mount Everest in 1996, the assurances of the experienced guides and expedition leaders gave the climbers the unwarranted confidence to carry on despite the late hour and approaching storm (Burnette, Pollack, & Forsyth, 2011). When a group continues to believe in an overoptimistic leader, an illusion of invulnerability develops because of groupthink.

Cohan (2002) considers the problem of overoptimism to be a contributing factor in Enron's recurrent financial fraud (Chapter 1). Many Enron leaders held an inflated view of their own contributions and talents, which caused them to engage in exaggerations when formulating disclosures and press releases in order to maintain their illusion of success. The management at Enron held such a strong faith in their abilities that they developed **belief perseverance**, which is the tendency of people to construct theories to account for circumstances that contradict their initial idea, thereby ignoring any evidence to suggest alternative solutions (Cohan, 2002). CEO Ken Lay discounted threats to Enron, even after regulators began scrutinizing the company's accounting practices. As with the Mount Everest expedition, senior managers supported the leader's overoptimistic outlook by ignoring contradictory information and sanitizing upward communications.

There are ways to counter overconfidence and overoptimism in business decisions. Prentice (2007) offers responses to rationalizations for unethical behaviors based on overoptimism. First, he recommends researching the facts of the issue to identify relevant information that may be missing from the decision. Second, he suggests framing ethical decision making as helping the firm to succeed to appeal to an optimistic view of the company.

Roxburgh (2003) provides three suggestions for business leaders to avoid defective decision making:

1. Test strategies under a much wider range of scenarios. This tactic enforces consideration of alternative scenarios to look beyond one's initial solution. Roxburgh recommends offering managers an even number of alternatives, since people tend to select the middle option if available. For example, Royal Dutch Shell plc (Shell) stipulates two or four options when making decisions.
2. Imagine a scenario that is 20% to 25% worse than the worst-case scenario. This recommendation addresses inaccurate estimates of success. What is the worst outcome of an action? By considering the most pessimistic outcome, automotive executives may be more likely to reconsider a product launch with knowledge of fatally flawed components.
3. Build more flexibility and options in strategic decision making. This suggestion allows the company to adjust actions as more information becomes available.

Holding on to strong beliefs in a decision may enable unacceptable conduct to continue unchecked. Individuals are encouraged to look beyond strongly held confidence in their abilities and consider all relevant information to the situation (Prentice, 2007; Roxburgh, 2003). In other words, workers should "stop and think of the ways in which [they] could be wrong" (Messick & Bazerman, 1996, "Improving Ethical Decision Making: Qualtity," para. 4).

Self-Serving Bias

The tendency for decision makers to seek only information that supports predetermined views reflects a **self-serving bias** (Prentice, 2007). Someone who falls into this ethical trap concludes that an action is more acceptable than it really is. A self-serving bias will cause an individual to quickly accept evidence that supports his or her behavior, reject contradictory evidence, and criticize others who question the unethical conduct. Drumwright and Murphy (2004) refer to this ethical trap as the ostrich syndrome, in which people stick their heads in the sand and choose not to ask questions that may divulge ethical considerations. During interviews of advertising agency personnel, respondents blamed a lack of time to investigate the ethical issues of a project for their failure to seek more information (Drumwright and Murphy, 2004).

Self-serving biases result from a desire to simplify decision making by ignoring possible consequences or perspectives that complicate choosing a solution. Messick and Bazerman (1996) have identified two behaviors related to self-serving biases. The first involves ignoring low-probability events. As discussed earlier, overoptimism often causes people to expect positive results and discount the probability that a negative outcome will occur. They tend to rely on data that is certain, denying any information that cannot be validated. Therefore, they do not explore pessimistic scenarios, regardless of who may be harmed as a result. People are more likely to allow negative consequences to affect people that they do not know, a phenomenon known as the faceless victim ethical trap (Hoyk & Hersey, 2008).

The second self-serving bias behavior involves limiting the search for stakeholders. Considering how the consequences of an action will affect a broad base of stakeholders is an important step in ethical decision making. For example, General Motors (GM) viewed the risk of fatalities due to a flawed ignition switch to be minimal and decided not to make necessary corrections. Executives failed to consider the impact of faulty products not only on drivers of their vehicles, but on the dealers who depended on quality products for their livelihood. GM took a short-term versus a long-term view that prevented them from recognizing future consequences of their actions.

To avoid the ethical trap of self-serving bias, access to diverse information can improve the quality of ethical decision making, as long as decision makers accept and use the information. Zhang (2010) offers three practices that boards of directors can employ to encourage the use of diverse information in effective decision making: 1) open discussion, 2) effective leadership, and 3) active search. Open discussion encourages all individuals in an organization to share data without sanitization, which may allow decision makers to gain new insights that could result in recognizing errors in predetermined solutions. Leaders play an important role in encouraging the acceptance of information from others. Too much information, however, can be distracting, compelling leaders to set boundaries on the quantity and value of data included in a decision. Thus, the final practice relates to actively searching for relevant information, which could encourage consideration of multiple stakeholders' views on an issue. This step requires that a decision maker take responsibility for seeking all information to make the right choice.

Sidestepping Responsibility

People with a weak sense of responsibility tend to blame others for their own ethical lapses; their inclination is to "pass the buck." Drumwright and Murphy (2004) found that advertisers rationalize irresponsible advertisements by blaming parents, media, regulators, colleagues, and society. Some participants in the Milgram study of obedience to authority placed the blame for potentially fatal electric shocks on the learner. Comments post-experiment included, "He was so stupid and stubborn he deserved to get shocked," and "[I became] angry at the learner for being so slow and forcing me to shock him harder" (Russell & Gregory, 2011, p. 510).

Another ethical trap related to sidestepping responsibility is what Hoyk and Hersey (2008) refer to as being lost in the group, which occurs when someone blames the group for ethical transgressions, rather than himself or herself. By acting as a member of a team, workers can transfer individual responsibility to the group.

Behaviorist scholars describe the individual propensity to displace responsibility onto others as a type of **moral disengagement**: "a social-cognitive mechanism that allows individuals to engage in unethical acts by disconnecting the moral ramifications of an action from their own involvement in that action" (Carsten & Uhl-Bien, 2013, p. 51). Studies examine how blaming others can become an excuse for unethical behavior. Bandura, Barbaranelli, Caprara, and Pastorelli (1996) developed a displacement of responsibility scale to measure an individual's predisposition to justify unethical behavior in the workforce. Participants indicate whether statements such as the following are true or false:

1. Employees are not at fault for wrongdoing if their boss puts too much pressure on them to perform at work.
2. Employees cannot be blamed for wrongdoing if they feel that their boss pressured them to do it.
3. If an employee perceives that his/her company wants him/her to do something unethical, it is unfair to blame the employee for doing it.
4. Employees cannot be blamed for exaggerating the truth when all other employees do it.
5. It is unfair to blame an employee who had only a small part in the harm caused by a company's actions.

Studies have found that employees with a high displacement of responsibility tendency are more likely to obey orders from supervisors to engage in unethical activity and less likely to question such orders (Barsky, 2011; Carsten & Uhl-Bien, 2013). These findings support the importance of establishing "an ethical organizational culture that emphasizes each individual's accountability and responsibility for his or her own actions" (Treviño et al., 1999, p. 143). Therefore, a company's code of conduct should stress responsibility on the part of the individual. The worldwide code of conduct for Procter and Gamble includes an entire page that begins with, "We all have a responsibility to uphold our Purpose, Values, and Principles in our work and in the business decisions we make" (The Procter & Gamble Company, 2010, p. 3).

Role Morality

Anna, a customer service representative of a large bank, has the discretion to waive penalties for insufficient funds for affluent customers with preferred status. As someone who cares for the well-being of the less fortunate, Anna has some doubts about the bank's policies; however, as a bank employee, Anna considers it her role to follow procedures. Therefore, when addressing the customers who are least likely to be able to afford the fees for having insufficient funds, Anna reads from a script stating that she cannot alter bank policy (Gibson, 2003). Do you agree with Anna's actions?

A man who has been arrested for a violent crime has confided in his defense attorney that he did, in fact, commit the crime. It is evident to the lawyer that his client is potentially dangerous if released back into public life. The lawyer ardently defends his client and wins his release from jail (Radtke, 2008). Do you agree with the lawyer's actions?

These scenarios represent the cognitive bias of **role morality**, which occurs when people adopt different ethical stances depending on the roles they undertake. The concept of role morality is like an individual having two moral hats—one for the workplace and one for outside of work (Gibson, 2003). When wearing the moral work hat, employees give themselves permission to act in ways they would consider wrong if they were wearing the other moral hat. In the first scenario, Anna follows the bank policy of waiving fees only for affluent customers. However, given her misgivings of the policy, Anna likely would not discriminate against the less fortunate in a social setting. Role morality explains why preferential treatment may seem justified when someone is playing one role, yet not when the same individual is acting in a different role.

There are certain organizations and professions in which role morality is particularly evident. Lawyers, accountants, auditors, and scientists are often faced with situations in which they must take a moral stance (Radtke, 2008). The scenario involving the defense attorney presents a conflict between the professional obligations of lawyers to win at all costs and personal ethics. Lobbyists are often prone to the potential for unethical practices in an effort to influence legislation. See *Reputation Risk: Jack Abramoff* for an example of how someone can justify behavior that would not be acceptable outside of his or her professional role.

Reputation Risk: Jack Abramoff

Once one of Washington D.C.'s most influential lobbyists during the Bush administration, Jack Abramoff influenced legislation that was favorable to his paying clients. In order to persuade legislators to add provisions to the few bills that could make it through the legislative process, Abramoff utilized a variety of unethical tactics, such as offering travel junkets that included gambling and other vices. Referencing the sponsoring senator or representative managing the bill as a "congressional quarterback," Abramoff stated, "If you're good at this game, you've provided your congressional quarterback with everything under the sun—including fundraisers, golf outings, travel, meals, and premium event tickets" (Abramoff & Green, 2013, p. 93). To pay for the excessive gifts, Abramoff charged clients high fees for his expertise. For example, the President of Gabon paid $9 million for Abramoff to arrange a meeting with President Bush (Citizens for Responsibility and Ethics in Washington, 2006).

(continued)

Reputation Risk: Jack Abramoff *(continued)*

Are these types of activities normal for a lobbyist? According to the U.S. Department of Justice (2006), Abramoff went too far in buying favors from members of Congress, creating a political scandal for violating congressional ethics codes. In 2005, when Abramoff pleaded guilty to conspiracy, tax evasion, and fraud, he was still dealing with investigations in corruption and bribery. From prison, he cooperated with federal prosecutors to expose up to 60 recipients of excessive gifts for favorable votes on legislation. People connected with Abramoff either cooperated with authorities or were indicted for corruption. Bob Ney, a Republican congressional representative from Ohio, went to prison, while others left Washington in disgrace.

In the documentary *In It To Win: The Jack Abramoff Story* by the University of Texas at Austin, Abramoff shared that he considered himself a family man, a religious man, and a moral person (http://ethicsunwrapped.utexas.edu/video/in-it-to-win-the-jack-abramoff-story). He viewed his job as doing whatever it took to meet client demands. He stated in an interview, "I was so far into it that I couldn't figure out where right and wrong was. I believed that I was among the top moral people in the business. I was totally blinded by what was going on" (CBS News, 2011, 1:07–1:18). Of the Jewish faith, Abramoff practiced his religion during his practice as a lobbyist. The question arises, "How could Abramoff, an ostensibly pious man who opened kosher restaurants and donated vast sums to charities, justify bilking naïve clients and trampling lobbying laws?" (Foer, 2005, p. 32).

Questions to Consider

1. How does role morality apply to Jack Abramoff? Are there examples from his story that support that role morality played a part in his behavior as a lobbyist?
2. Does the lobbyist profession lend itself to unethical behavior more so than other professions? Why would they support a win at all costs stance? Are there steps that could discourage unethical behaviors in the lobbyist profession?
3. Review the vignette in Chapter 1 about Wendel Torres and his conviction for illegal gratuities to a government official. How does role morality apply to Wendel Torres? Is it similar or different to Jack Abramoff's story?

In business, role morality occurs when the paid function of an employee conflicts with personal morals. Gibson (2003) describes four characteristics of role morality that may help employees avoid making defective ethical decisions. First, the decision to act in accordance with the responsibilities of one's role in a professional setting versus one's own personal ethics is not easy. Employees are not able to simply state, "I'm going to rely on my personal ethical code," or "This is a business decision." Often, employees may not even recognize the ethical dimensions of an action while performing routine tasks. Gibson asserts that people are willing to compromise when the demands of work conflict with personal ethical principles.

Second, employees may concede that some actions are unethical in their role at work. Identifying these actions as a normal part of the job allows the employee to depart from his or her personal sense of right and wrong. This is an instance of displacement of responsibility to justify unethical conduct; in this case, the employee displaces the responsibility onto the employer. Therefore, taking individual responsibility for actions is the first step for preventing the manifestation of role morality.

Third, individuals are free to choose whether to act within the role. Just as with pressures to obey authority, employees may perceive no other choice but to act according to expectations of a role for fear of job loss or loss of professional certification. Gentile (2010b) suggests that choosing between acting within a role and acting on personal values is a regular part of business. When conflicts between workplace demands and personal ethics occur, appeals for change require a persuasive amount of detail, targeted messages for the audience, and appropriate delivery context.

Finally, an employee's use of his or her role as an excuse for unethical behavior is a symptom of the ethicality of the profession or organization. Jack Abramoff's view that his job was to do anything to meet client demands reflects on the ethicality of the lobbying profession. An organization's reputation suffers when its leaders pressure employees to act unethically in their role. For example, some councils of the Boy Scouts of America sent recruiters to large shopping centers to meet membership quotas. Recruiters asked parents to complete membership applications without requiring the membership fee or participation in scouting activities. Recruiters were uncomfortable in this role and a few refused to continue the practice. In 2005, Boy Scouts of America councils were exposed for membership fraud that led to many executive firings and national embarrassment (Block, 2005; Jay, 2005).

Pressures from others, coupled with personal cognitive biases, often cause businesspeople to believe that all decisions have a solid ethical justification. This chapter provides only a small sampling of ethical traps inherent in an organization to highlight how all individuals have the potential to engage in unethical conduct. Employees who recognize and appreciate the dangers of ethical traps are more likely to make ethical decisions. Leaders should avoid creating an environment where subordinates perceive no other option but to obey orders and avoid reporting accurate information. Organizations can structure compensation, performance evaluations, and communication channels to encourage ethical behavior and mitigate risks of misconduct.

Summary & Resources

Chapter Summary

Business ethics scandals often involve good people who act in a way that is contrary to their ethical standards. Behavioral ethics psychologists seek to understand why people engage in unethical behavior. Defective ethical reasoning derives from limiting ethical alternatives in the analysis, no reexamination of the preferred unethical alternative, no reexamination of rejected ethical alternatives, rejection of dissenting opinions, selective bias of new information, and allowing company goals to take priority over ethical alternatives. Bounded ethicality occurs through unconscious favoring of self-serving biases that impede following ethical standards. The inclination to presume that other people make bad choices because they are bad people whereas our bad choices are the result of a difficult situation is a fundamental attribution error.

External pressures and cognitive biases interfere with ethical reasoning, leading to misconduct. Pressures from external stimuli create ethical traps that cause people to blindly obey authority, conform to group norms, engage in groupthink, respond to time constraints, and compete to win at all costs. Both informal and formal groups have a strong influence on ethical decision making. A person's sense of loyalty influences his or her susceptibility to group pressures to conform. Shortcuts and simplifications to aid in decision making create a fallacy of morality that one is acting in line with personal ethical principles. Cognitive biases include an overconfidence in one's abilities, overoptimism in achieving a successful outcome without detection, seeking only information to support predetermined views, sidestepping responsibility, and role morality.

All individuals in a business have the potential to engage in unethical conduct. Employees that recognize and appreciate the dangers of ethical traps are more likely to make ethical decisions. An important skill is to develop the capacity to recognize rationalizations that restrict ethical reasoning. Through understanding ethical traps, individuals can avoid misconduct while becoming more effective in responding to others' rationalizations.

Key Terms

belief perseverance The tendency of people to construct theories to account for circumstances that contradict their initial idea, thereby ignoring any evidence to suggest alternative solutions.

bounded ethicality The psychological processes of self-serving biases that inhibit acting in alignment with ethical standards.

cognitive biases Errors in thinking and reasoning, which alter one's perceptions and can lead to wrong conclusions.

competitive arousal The emotional state of win at all costs.

conformity bias A tendency for people to align their judgments to those of their reference group.

conformity pressure The use of sarcasm and punishment to enforce conforming to the group.

defensive traps Attempts to justify behavior after a transgression has been committed.

fundamental attribution error The inclination to presume that other people make bad choices because they are bad people whereas our bad choices are the result of a difficult situation.

groupthink A psychological phenomenon that occurs when a group of people is tasked with making a decision and the pressure to achieve unanimity as a group impairs each individual's ability to consider alternative courses of action.

inattentional blindness The inability to recognize unexpected events that occur during a routine task.

moral disengagement A social-cognitive mechanism that allows individuals to engage in unethical acts by disconnecting the moral ramifications of an action from their own involvement in that action.

moral heuristics Decision-making processes based on previous experience, intuition, or simple moral reasoning when a situation calls for a quick response.

moral imagination An ability to imaginatively discern various possibilities for acting within a given situation and to envision the potential help and harm that are likely to result from a given action.

obedience to authority Following orders without thinking of conflict with ethical principles.

overconfidence A higher estimate of abilities than warranted.

overoptimism A misperception of high probability for achieving success as well as immunity from detection.

personality traps Internal stimuli in the form of various personality traits that can make people more vulnerable to wrongdoing.

primary traps External stimuli that impel people to act unethically.

psychopath A person who displays traits including superficial charm, grandiosity, deceitfulness, a lack of remorse, lack of empathy, a failure to take responsibility, impulsivity, and antisocial behavior.

role morality The tendency for people to adopt different ethical stances depending on the roles they undertake.

self-serving bias The tendency for decision makers to seek only information to support predetermined views.

Critical Thinking and Discussion Questions

1. Have you seen someone act unethically and justify his or her actions by saying "I'm just doing my job?" What did you say or do in response? What should you have said or done? What traps may this person be encountering to justify the unethical behavior?
2. Can you think of an example from your own life where you or someone else fell victim to ethical traps? How might you anticipate and/or mitigate the effect of ethical traps in making decisions?
3. How do ethical traps relate to the six characteristics of defective ethical reasoning identified in the chapter? For example, which ethical traps lead to rejection of dissenting opinions?
4. Look up an ethical scandal that has been covered extensively in the news. Consider which characteristics of defective ethical reasoning are present. Which ethical traps led to the ethical lapse?
5. Engage a representative of a specific profession, company, or industry in a discussion on the typical ethical issues encountered in his/her professional sphere. Try to jointly identify the ethical traps that may impede ethical behavior and develop strategies for him/her to overcome succumbing to each trap. The exchange will probably be easier if you have a personal connection to this person.

Suggested Resources

ABC News coverage of Milgram's electric shock experiment (video)

http://youtu.be/HwqNP9HRy7Y

Ethics Unwrapped video series

http://ethicsunwrapped.utexas.edu/series/concepts-unwrapped

Psychology of Fraud NPR story

http://www.npr.org/2012/05/01/151764534/psychology-of-fraud-why-good-people-do-bad-things