Chapter 1

Seeing the moral dimension of business

Overview

There is often confusion among students regarding moral issues, as the everyday use of the term often refers to tradition, law or etiquette. Similarly, there is often confusion between moral and non-moral judgements. This book examines morality in a business context. It is important that business students learn to understand morality, ethics and the principles upon which moral issues are judged.

This chapter provides guidelines to these issues and examines what is meant by ‘morality’.

Many of the moral issues that arise in business are complex and difficult to answer. For example:

* How far must manufacturers go to ensure product safety?
* Should manufacturers reveal everything about a product, including any possible defects or shortcomings?
* At what point does acceptable exaggeration become lying about a product or a service?
* When does aggressive marketing become consumer manipulation?
* Is advertising useful and important or deceptive, misleading and socially detrimental?
* When are prices unfair or exploitative?
* Are corporations obliged to help combat social problems?
* What are the environmental responsibilities of business and is it living up to them?
* Are pollution permits a good idea?
* Is factory farming morally justifiable?
* May employers screen potential employees on the basis of lifestyle, physical appearance or personality tests?
* What rights do employees have on the job?
* Under what conditions may employees be disciplined or fired?
* What, if anything, must business do to improve work conditions?
* When are wages fair?
* Do unions promote the interests of workers or infringe their rights?
* When, if ever, is an employee morally required to blow the whistle?
* May employees ever use their positions inside an organisation to advance their own interests?
* Is insider trading or the use of privileged information immoral?
* How much loyalty do workers owe their companies?
* What say should a business have over its employees’ off-the-job activities?
* Do drug tests violate employees’ right to privacy?
* What obligations does a worker have to outside parties, such as customers, competitors or society in general?

These questions typify business issues with moral significance. The answers we give to them are determined, in large part, by our moral standards – that is, by the moral principles and values we accept.

Key terms

* religion and morality
* moral development
* moral reasoning
* spirituality ethics
* morality and etiquette

Learning objectives

After completing this chapter, students should be able to:

* define and understand ethics, including business and organisational ethics
* understand the nature of morality
* define and understand ethical relativism
* understand the role of moral principles and individual responsibility in morality and ethics
* understand the elements that are essential for moral reasoning and ethical decision making.

Lecture outline

Ethics

The central question of ethics is as follows: How are we to relate to each other in order to ensure that our individual and collective well-being is enhanced? This raises additional questions such as:

* What is morally right and wrong?
* What moral principles should I employ?
* How can I justify my decisions and actions morally?

Business ethics is the study of what constitutes right and wrong, or good and bad; human conduct in a business context.

Moral versus non-moral standards

* The concept of ‘morality’ contains a prerequisite for human faculties and choice in order to have meaning.
* The idea of morality requires that a choice can be made and, secondly, that the actor knows right from wrong in a moral sense when making that choice.
* Not all decisions or actions are moral actions. Only those that affect, or potentially affect, well-being are moral.
* Moral standards take priority over non-moral standards.

Morality and religion

Religion

* Religion seeks to explain the mysteries of life and to prescribe social behaviour.
* Religion provides standards for individual and communal well-being.
* Religion requires unquestioning acceptance of the word of God rather than a reliance on rational thought. It is a ‘given’ standard of right and wrong rather than a standard based on moral reasoning.
* All major religions have a version of the Golden Rule

Spirituality

Spirituality in some sense has an impact on ethical ways of doing things.

Morality and etiquette

Etiquette is concerned with social norms of behaviour and is largely cultural rather than moral. It is mainly concerned with ‘manners’.

Morality and law

* Moral standards are universal and constant.
* Law is not universal and changes frequently.
* Law is what other people decide should govern behaviour; morality concerns what behaviour *ought* to be. An action can therefore be illegal but moral, or legal but immoral.

Professional codes

Professional codes fall somewhere between etiquette and law.

Codes frequently include moral prescriptions, guidance about professional etiquette and restrictions that are intended to benefit the group’s financial interests.

Given their nature, they are neither a complete nor a reliable guide to one’s moral obligations.

Business and organisational ethics

The idea is that moral rectitude is as important in organisational life as in one’s personal life.

Do organisations have the same moral rights and obligations as people?

Ethical relativism

Ethical relativism refers to the belief that moral standards are not universal but particular to time, culture, context and place.

Relativism and the ‘game’ of business

Some propose that business has its own set of standards and values and should not be subject to human principles of right and wrong.

Having moral principles

Conscience

Conscience develops as we internalise the moral instructions and guidance of our parents and other figures of authority in our lives. Conscience can prevent us from doing that which we believe to be wrong, but there are limits to what our conscience can do.

Moral principles and self-interest

* Often, there is a conflict between what would be good for an individual personally and the morally right thing to do.
* Morality serves to restrain our self-interest and underlines the importance of the community.

Organisational norms

* Organisations are not humans, and their purpose and the standards by which they are judged differ from those by which other human intercourse is judged.
* Kohlberg has three possible stage of development:
* pre-conventional
* conventional
* post-conventional.

Diffusion of responsibility

* Organisations allow their members to avoid moral responsibility for their actions because they are acting as agents of the business rather than as autonomous individuals.
* Policies, rules, committees and directives all engender this situation.
* Pressure to conform undermines individual integrity.

Moral reasoning

* *Logical*: Decisions should be consistent, universal and compatible with other moral beliefs.
* *Factual*: All relevant information must be acquired and considered.
* *Based upon principle*: Reasoning should conform to one or more of established moral principles.

Tutorial

The ‘Pester Power’ case study was written to initiate a discussion about how our actions can affect others. Marketers rely on pester power to sell goods to children. This isn’t illegal but is it moral? Some would argue that a parent should learn to say no; others would argue that parenting is a difficult job, and that marketers shouldn’t manipulate children in order to get parents to buy goods. This case can be used to gauge students’ beliefs about the responsibility that business has not to treat anyone as a means to an end. It can also be revisited after students have studied the ethical theories to determine whether their attitudes may have changed after considering the theories, and the purpose of ethics (as a tool to help us assess whether our actions harm others).

The case study ‘The A7D affair’ was written to provoke students to consider the part that morality plays in our social and personal judgements. The case provides a scenario in which the guilty party cannot be identified (legally or criminally), but it has a different outcome from a moral viewpoint.

Class activities relating to these case studies may involve group discussion, group work or role-play.

Discussion questions

Introduction

* How can caring for others’ interests further our own? Do we all have the same opportunities in life? How can a lack of opportunity affect an individual’s ability to thrive? Do we have a moral responsibility not to harm others? Do we have a moral obligation to assist those less fortunate than ourselves?
* Should manufacturers reveal all product defects? At what point does acceptable exaggeration about a product or a service become lying? When does aggressive marketing become consumer manipulation?
* What are businesses’ environmental responsibilities? Is a corporation obliged to help combat social problems such as poverty, pollution and urban decay? Must businesses fight sexism and racism? How far must a business go to ensure equal opportunities for all employees? How should organisations respond to the problem of sexual harassment?
* May employees ever use their positions inside an organisation to advance their own interests? Is insider trading or the use of privileged information immoral? How much loyalty do workers owe their companies? What say should a business have over its employees’ off-the-job activities?
* What obligations does a worker generally have to outside parties, such as customers, competitors or society? When, if ever, is an employee morally required to blow the whistle?

Morality and law

What other examples can you think of that show how an action can be illegal but morally right, legal but morally wrong, or both legal and morally right?

Business and organisational ethics

* What responsibility do manufacturers have to ensure that their products are safe?
* Would it be right for a store manager to break a promise to sell some hard-to-find merchandise to one customer in order to sell it to another customer who needs it more? Would it be right to sell it to someone who offered to pay more?
* What, if anything, should a moral employee do when his or her superiors refuse to look into apparent wrongdoing in a branch office?
* If you innocently came across secret information about a competitor, would it be permissible for you to use it for your own advantage? Would it be permissible to use it for society’s advantage?

Having moral principles

For philosophers, the important question is not how we came to have the particular principles we have. Instead, the philosophical issue is whether the principles we have can be justified. Do we simply take for granted the values of those around us? Or, like Martin Luther King, Jr, are we able to think independently about moral matters? The philosopher’s concern is not so much how we actually got our beliefs, but whether, or to what extent, those beliefs – for example, that women are more emotional than men or that telekinesis is possible – can withstand critical scrutiny. Likewise, ethical theories attempt to justify moral standards and ethical beliefs. However, not all are philosophers, and there are those who take refuge in their beliefs and religions. Indeed, religion involves not only a formal system of worship but also prescriptions for social relationships. One example is the Christian mandate ‘Do unto others as you would have them do unto you’. The most famous, which is applied everywhere regardless of religion or ideology, is the golden rule.

Many people believe that morality must be based on religion, in the sense that either without religion people would have no incentive to be moral or only religion can provide moral guidance. Others contend that morality is based on the commands of God. None of these claims is very plausible.

Moral principles and self-interest

Using the example from this section, discuss whether you should follow your self-interest or your moral principles (where these conflict). There is no final answer to this debate. From the moral point of view, you should, of course, follow your moral principles. But from the selfish point of view, you should look out solely for ‘number one’.

Solutions to end-of-chapter questions

General comment

Many of the answers to these questions are subjective in nature. Consequently, students may answer in a variety of ways. Some guidance has been provided where possible to demonstrate how questions might be answered, but most questions are designed to encourage debate. Where students have been asked to apply theory, any number of theories might be applied (and could be applied differently depending upon the students’ approaches). A few examples of how to apply theory have been provided for guidance. Ethical theory seldom presents us with black-and-white answers to problems. Sometimes we might favour a particular approach, but when we analyse a problem using that approach, we may end up with a resolution or answer that we feel instinctively is wrong. If this happens while completing the questions here, this presents a perfect opportunity to extend the discussion by referring to the limitations and criticisms of the theories (which are further discussed in chapter 2).

Review and discussion questions

1. Write down three factual statements and three moral statements. Discuss how factual statements differ from moral ones.

Student responses will vary and may include:

* examples of factual statements such as boys are males
* moral statements such as you should not lie.

2. Has your understanding of the term ‘ethics’ changed after reading this chapter? If so, how has it changed?

Student responses may vary. Some possible responses to this question include:

* I would look more carefully at my business (or other) decisions, and try to make better decisions.
* When faced with decisions that affect not only me but also others in society, I hope to remember these discussions and make reference to the issues examined.

3. Write down three moral principles by which you live your life. Where and when did you adopt these principles? Is complying with organisational norms more important than adhering to personal principles? Explain your answer.

There is no specific answer to this question. Students will have their own principles (e.g. you should not lie or cheat, you should donate to charity and help the needy), so these will vary. Opinions will vary as to the second part of the question and could lead to a discussion of ethical relativism. Some answers may include the following:

* ‘Rain your kindness on all.’ – Buddha
* ‘Love thy enemies.’ – Jesus Christ

4. How can an understanding of ethics assist business professionals?

Business professionals hold a special place in society. They undergo education and training to acquire specialised knowledge upon which society relies. This creates a special relationship between professionals and those whom they serve. Society relies upon professionals to use their knowledge to benefit stakeholders. It is important that they are trusted to do no harm.

Students may think of many reasons why an understanding of ethics can assist professionals. These could include (but are not limited to) the following:

* A knowledge of ethics can remind professionals of their duties and obligations. Studying ethics requires an acknowledgement that our actions can affect others in positive and negative ways. It reminds us to look at ‘the big picture’ and consider interests other than our own.

While it would be unrealistic to expect people to apply an ethical theory every time they made a decision, a knowledge of the theories and a consideration of important matters (such as not using others as a means to our ends or what characteristics we should develop in order to live moral lives) can assist us to make more reasoned decisions.

* Studying ethics also requires us to support our beliefs and/or actions with rational thought and moral reasoning. Developing these skills also serves professionals well when they have to defend an unpopular action or are vying for limited resources.
* A well-developed sense of morality assists us to make ethical decisions. In a professional sense, this can mean that we are less likely to be brought before a professional body for ethical breaches. It can mean that we can be ethical leaders, and promote the reputation of the organisations for which we work.

5. When might self-interest prevent someone from acting ethically? Students may think of several examples. These include:

* Whistleblowing: sometimes the likely consequences of blowing the whistle may prevent someone from speaking out.
* Power relationships: an individual may be scared of someone in authority and will do as is asked (even if it is blatantly wrong) out of fear of repercussions. This is common where the individual is much younger, has been working less time at the organisation or is otherwise at a disadvantage to the person with more power.
* Financial considerations: someone may place their personal financial considerations above the need to do the right thing (e.g. a salesperson may lie about a product in order to make a sale and earn commission).
* Ethical relativism: a person may justify unethical actions by stating that ‘everyone else does it’.

Critical reflection

1. Review the discussion in this chapter about ethical relativism. Given that a moral action may be illegal and a legal action may be immoral, is ethical relativism defensible? Explain your answer.

Relativism is criticised in the text (see the ‘Ethical relativism’ section) – it is not defensible. Students could be encouraged to discuss issues such as genocide in Nazi Germany, slavery, segregation in the USA, apartheid in South Africa and the forcible removal of Aboriginal children from their homes. Each of these could be defended using relativism.

2. What characteristics do you think Aristotle’s ‘excellent person’ would have? Do you agree with his belief that only when we develop our truly human capacities sufficiently to achieve this human excellence will we have lives blessed with happiness?

Students may identify virtues such as integrity, honesty, loyalty, courage etc. Some students may argue that happiness can be achieved through other means and some may argue that living an excellent life could impede chances of happiness. Others may draw upon research that shows a correlation between doing good and happiness.

3. Are meeting organisational goals and upholding one’s personal morals mutually exclusive? Can an ethical business be a profitable business? Form two groups. Each group should choose a position and debate these issues.

The answer to this question depends on an organisation’s culture. Meeting organisational goals and upholding one’s personal morals should not be mutually exclusive – but sometimes they are.

There is no right or wrong answer to this question. It may be considered an issue of the chicken and the egg – which came first? Can an ethical business be profitable? Can a profitable business be ethical? Are ethics embedded within the goals of the organisation or are they in addition to the organisation’s goals? Do ethics depend on the challenges faced by the organisation? Are they ignored under difficult circumstances and applied when it is best for the organisation?

Students may draw upon research and/or anecdotal examples of ethical, profitable businesses. They may also discuss examples from Chapter 1 (e.g. David Jones and ethically-sourced products) to argue that business is starting to understand the importance of being seen to be ethical.

4. Do you agree that professionals have special obligations to do no harm? Explain your answer. Identify some of the qualities that you think a business professional should have. Why are these qualities important?

Business professionals hold a special place in society. They undergo education and training to acquire specialised knowledge upon which society relies. This creates a special relationship between professionals and those whom they serve. Society relies upon professionals to use their knowledge to benefit stakeholders. It is important that they are trusted to do no harm.

Professional qualities include:

* Honesty – important because society places a great deal of trust in professionals to act in the public interest. Truth-telling is imperative, e.g. we should be able to trust that the financial statements prepared by an accountant are accurate. Investors make decisions based upon financial statements and if they are inaccurate, investors could suffer financial harm.
* Integrity – important because we rely on professionals’ specialised knowledge and their acting in the public interest.
* Professional capability – since we rely on professionals to provide us with specialist advice, professionals should ensure that they are capable and that they keep abreast of any new knowledge.

5. Explain the paradox of hedonism. Why do you think that people who act selfishly are less happy then those who are altruistic?

The paradox of hedonism is the idea that the direct pursuit of pleasure is ineffective. Humans are not good at predicting what will make them happy. We often crave things (a promotion at work, a large house, fast car, lots of money, the latest technological gadget etc.) only to find that the happiness they bring is either non-existent or short-lived. When striving for more, we can improve our circumstances but we are not necessarily happy when we acquire ‘stuff’. It can lead to an over-attachment to material possessions (and a subsequent fear of losing them) or we become dissatisfied as a newer model of car comes out or an acquaintance buys a bigger house. Sometimes, our possessions become ‘baggage’ that weigh us down.

Research suggests that striving for something can make us happy (so it’s not the acquisition of stuff that makes us happy, but the sense of purpose that striving for something gives us). Other research suggests that it is a sense of connection (belonging to a family, having friends, being a part of a group or team etc.) that makes us truly happy. Doing good (e.g. volunteering at a charity shop or working for a voluntary organisation overseas) has also been shown to improve happiness.

People who act selfishly look after their own interests. They are not as likely to value or foster deep connections. They are probably more likely to focus on superficial goals that may bring short-term happiness but not the deep emotional sense of belonging that comes from connecting with others.

Solutions to Case Study 1.1 – Pester power

Case 1.1

Pester power

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Sharnie was exhausted. She had just collected her daughter from school after a difficult day at work. Now she was about to start preparing dinner. She sighed as her seven-year-old scowled at her. Rhiannon scuffed her shoes across the kitchen floor, leaving dirty scratch marks on the tiles. ‘But mum, everyone at school has an “Amber” doll! It’s not fair; I never get any of the toys I want!’ Sharnie admitted to herself that what Rhiannon said was true.

Being a financially stretched single parent meant that her daughter rarely got any special treats. While Sharnie believed strongly that children should not be given everything they demanded, she could still empathise with her little girl’s wants. Rhiannon had had a difficult time settling into her school, and often would come home in tears because she had been teased. Now she would be judged as uncool by the other girls in her class because she didn’t have an Amber doll and would, no doubt, be subjected to more bullying. When had society become so superficial that even children judged each other according to their belongings?

Amber has been advertised aggressively in the media. The doll was the latest craze, and every girl of Rhiannon’s age seemed desperate to have an Amber of her own. Whether Sharnie wanted to buy the doll for Rhiannon was irrelevant; the price put Amber firmly out of Sharnie’s reach. She thought about the advertising campaign that had launched Amber onto the market. The doll had been the subject of a systematic campaign; Amber was ubiquitous – she appeared in children’s comics, was advertised in between children’s programs on television and had been shown on the morning breakfast shows. A story about the popularity of the doll had even appeared on one of the evening current affairs programs. Amber was also featured in the junk mail catalogues that came through Sharnie’s letterbox, and one of the morning children’s television programs had run a competition that offered Amber as the first prize.

Sharnie remembered her days at university, where she had studied a business degree. In a first-year marketing class, her lecturer had discussed how marketing to children was effective because ‘pester power’ was a great tool. Marketers, the lecturer had asserted, aim to grab children so that they would be brand-loyal. If the marketers achieved their aim, there was a good chance that those children would become lifelong consumers of their brand.

The lecture had led to a contentious discussion about whether advertisers should be allowed to market directly to children. Sharnie shook her head ruefully as she thought about how naive she’d been as a 19-year-old undergraduate. At the time, she’d seen nothing wrong with advertisers using pester power, justifying its use by stating that parents should take responsibility for parenting their children, and they should just say no to their demands. She smiled at how straightforward everything had seemed back then. Now she thought very differently as she gathered her daughter into her arms, and she tried to explain that she did not have the money to buy the doll. Rhiannon’s lips trembled; her petulance gone. She was getting used to not having the cool toys. Despite her disappointment, the child accepted that she wasn’t going to get Amber.

Sharnie experienced a range of conflicting emotions as she hugged her daughter tightly – heartbreak that her little girl was going to be disappointed once again; despair as she was reminded of their financial difficulties; pride in her wonderful daughter who had accepted the situation without too much fuss; but most of all, a seething rage that a bunch of smug and self-righteous advertising executives felt that it was acceptable to manipulate vulnerable members of society in their relentless pursuit of profit. Sharnie believed that such aggressive marketing could create problems for those who could afford the toy, never mind those who could not. Parents should be able to make choices about the goods that they buy for their children without having to deal with a constant barrage of demands from their children – demands that were the result of aggressive marketing.

Sharnie suspected that even those who got an Amber doll might be very disappointed. In the advertisement, the doll was depicted in an animated cartoon. It appeared to be able to walk and talk on its own. Furthermore, Amber was actually a suite of dolls. The advertisement appeared to show a single doll that could perform a number of functions – eating, weeing, walking and talking. A message appeared in the screen for only a few seconds advising that ‘Amber’ was, in reality, four separate dolls, each performing only one function. Even if she had been able to afford the doll, Sharnie would not have bought it on principle. She believed that the advertisement was misleading.

Having to deal with refusing her child’s impassioned pleas was exhausting; it was not just the Amber doll – her child was bombarded with advertisements for toys, clothes and junk food every day. It was virtually impossible to protect Rhiannon from marketing. Slowly, she let go of her daughter and she planted a kiss on the top of the child’s head. Then, with a sigh, she started to scrub the scuff marks from the kitchen floor. Life was challenging enough; why did it have to be made more difficult just so that a toy company could increase its sales by emotionally blackmailing parents into buying their goods … or, even worse, by creating wants in little consumers who very often could not understand why those wants could not be met?

Discussion questions

1 Do you think that Sharnie was justified in feeling angry about the way in which Amber was marketed?

This question calls for the students’ subjective opinions. Some may argue that Sharnie was justified because the marketers paid little regard to the difficult job of parenting. They relied on pester power to manipulate children into wearing their parents down. For those parents who do not bow to pester power, their children may suffer as a result of peer pressure. To create such problems merely to maximise profit is unreasonable.

Others may argue that parents can say no, and that it is not the marketer’s responsibility if parents cannot control their children.

2 Why do you think advertisers aim advertising at children?

Children are generally naïve and do not have the ability to critically assess an advertisement. They tend to believe what they see. Marketers recognise this and use it to their advantage. Marketers also understand the concept of brand loyalty – getting a consumer to identify with their brand early and keeping that consumer for life.

3 Do you think it is ethical to market to children? Why/why not?

This question calls for the students’ subjective opinions. Their answers should align consistently with their answer to question one.

4 Imagine that this case was about a marketing campaign directed at people with a learning difficulty. These individuals may make their own choices but may not be able to critically assess the veracity of a marketer’s claims. Would your answers to questions 1 and 3 be different if the case involved marketing to people who are intellectually challenged?

Students answers may vary.

5 Review this case again when you have read Chapter 2. Does using ethical theory change your answers to the questions above?

Students may use any of the theories discussed in chapter two.

Example 1: Kant

* Universal law: If we express the underlying principle that it is acceptable to market aggressively to vulnerable members of society, we can see that rational beings would not accept this as a rule by which we would all be happy to live.
* Good will: Aggressive marketing is not showing good will, i.e. acting out of a sense of duty to children, their parents or other vulnerable members of society.
* Means to an end: Children are being used as a means to the marketer’s end (that end being to persuade consumers to buy the dolls).

Example 2: Egoism

* Positive consequences might include:
* an effective campaign, which would result in satisfied clients
* more advertising work
* pride in a successful campaign
* promotions for the staff involved in the successful campaign.
* Negative consequences might include:
* bad publicity
* guilt.

Students may think of others answers as well. Point out that we cannot predict the consequences with certainty, and they may vary. For example, some might feel guilty about targeting the vulnerable whereas others may not.

Solutions to Case Study 1.2 – The A7D Affair

Case 1.2

The A7D Affair

Kermit Vandivier could not have predicted the impact on his life of purchase order P­237138, issued by LTV Aerospace Corporation. The order was for 202 brake assemblies for a new Air Force light attack plane, the A7D, and news of the LTV contract was cause for uncorking the champagne at the B.F. Goodrich plant in Troy, Ohio, where Vandivier worked. Although the LTV order was a small one, it signalled that Goodrich was back in LTV’s good graces after living under a cloud of disrepute. Ten years earlier, Goodrich had built a brake for LTV that, to put it kindly, hadn’t met expectations. As a result, LTV had written off Goodrich as a reliable source of brakes.

LTV’s unexpected change of heart after ten years was easily explained. Goodrich made LTV an offer it couldn’t refuse – a ridiculously low bid for making the four­disk brakes. Had Goodrich taken leave of its financial senses? Hardly. Because aircraft brakes are custom­made for a particular aircraft, only the brakes’ manufacturer has replacement parts. Thus, even if it took a loss on the job, Goodrich figured it could more than make up for it in the sale of replacement parts. Of course, if Goodrich bungled the job, there wouldn’t be a third chance.

John Warren, a seven­year veteran and one of Goodrich’s most capable engineers, was made project engineer and lost no time in working up a preliminary design for the brake. Perhaps because the design was faultless or perhaps because Warren was given to temper tantrums when criticised, co­workers accepted the engineer’s plan without question. So there was no reason to suspect that young Searle Lawson, one year out of university and six months with Goodrich, would come to think Warren’s design was fundamentally flawed.

Lawson was assigned by Warren to create the final production design. He had to determine the best materials for brake linings and identify any needed adjustments in the brake design.

This process called for extensive testing to meet military specifications. If the brakes passed the gruelling tests, they would then be flight­tested by the Air Force. Lawson lost no time in getting down to work. What he particularly wanted to learn was whether the brake could withstand the extreme internal temperatures, in excess of 1000°F [538°C], when the aircraft landed.

When the brake linings disintegrated in the first test, Lawson thought the problem might be defective parts or an unsuitable lining. But after two more consecutive failures, he decided the problem lay in the design: The four­disk design was simply too small to stop the aircraft without generating so much heat that the brake linings melted. In Lawson’s view, a larger, five­disk brake was needed.

Lawson knew well the implications of his conclusion. The four­disk brake assemblies that were arriving at the plant would have to be junked, and more tests would have to be conducted. The accompanying delays would preclude on­time delivery of the production brakes to LTV.

Lawson reported his findings and recommendations to John Warren. Going to a five­disk design was impossible, Warren told him. Officials at Goodrich, he said, were already boasting to LTV about how well the tests were going. Besides, Warren was confident that the problem lay not in the four­disk design but in the brake linings themselves.

Unconvinced, Lawson went to Robert Sink, who supervised engineers on projects. Sink was in a tight spot. If he agreed with Lawson, he would be indicting his own professional judgement: He was the man who had assigned Warren to the job. What’s more, he had accepted Warren’s design without reservation and had assured LTV more than once that there was little left to do but ship them the brakes. To recant now would mean explaining the reversal not only to LTV but also to the Goodrich hierarchy. In the end, Sink, who was not an engineer, deferred to the seasoned judgement of Warren and instructed Lawson to continue the tests.

His own professional judgement overridden, Lawson could do little but carry on. He built a production model of the brake with new linings and subjected it to the rigorous qualification tests. Thirteen more tests were conducted, and thirteen more failures resulted. It was at this point that data analyst and technical writer Kermit Vandivier entered the picture.

Vandivier was looking over the data of the latest A7D test when he noticed an irregularity: The instrument recording some of the stops had been deliberately miscalibrated to indicate that less pressure was required to stop the aircraft than actually was the case. Vandivier immediately showed the test logs to test lab supervisor Ralph Gretzinger. He learned from the technician who miscalibrated the instrument that Lawson had requested the miscalibration. Lawson later said he was simply following the orders of Sink and the manager of the design engineering section, who were intent on qualifying the brakes at whatever cost. For his part, Gretzinger vowed he would never permit deliberately falsified data or reports to leave his lab.

A month later, the brake was again tested, and again it failed. Nevertheless, Lawson asked Vandivier to start preparing the various graph and chart displays for qualification. Vandivier refused and told Gretzinger what he’d been asked to do. Gretzinger was livid. He again vowed that his lab would not be part of a conspiracy to defraud. Then, bent on getting to the bottom of the matter, Gretzinger rushed off to see Russell Line, manager of the Goodrich Technical Services Section.

An hour later, Gretzinger returned to his desk looking like a beaten man. He knew he had only two choices: defy his superiors or do their bidding.

‘You know,’ he said to Vandivier, ‘I’ve been an engineer for a long time, and I’ve always believed that ethics and integrity were every bit as important as theorems and formulas, and never once has anything happened to change my beliefs. Now this. Hell, I’ve got two sons I’ve got to put through school and I just …’ When his voice trailed off, it was clear that he would in fact knuckle under. He and Vandivier would prepare the qualifying data; then someone ‘upstairs’ would actually write the report. Their part, Gretzinger rationalised, wasn’t really so bad. ‘After all,’ he said, ‘we’re just drawing some curves, and what happens to them after they leave here – well, we’re not responsible for that.’ Vandivier knew Gretzinger didn’t believe what he was saying about not being responsible. Both of them knew that they were about to become principal characters in a plot to defraud.

Unwilling to play his part, Vandivier decided that he, too, would confer with Line. Line was sympathetic; he said he understood what Vandivier was going through. But in the end he said he would not refer the matter to chief engineer H.C. ‘Bud’ Sunderman, as Vandivier had suggested. Why not? Vandivier wanted to know.

‘Because it’s none of my business, and it’s none of yours,’ Line told him. ‘I learned a long time ago not to worry about things over which I had no control. I have no control over this.’

Vandivier pressed the point. What about the test pilots who might get injured because of the faulty brakes? Didn’t their uncertain fate prick Line’s conscience?

‘Look,’ said Line, growing impatient with Vandivier’s moral needling, ‘I just told you I have no control over this thing. Why should my conscience bother me?’ Then he added, ‘You’re just getting all upset over this thing for nothing. I just do as I’m told, and I’d advise you to do the same.’

Vandivier made his decision that night. He knew, of course, he was on the horns of a dilemma. If he wrote the report, he would save his job at the expense of his conscience. If he refused, he would honour his moral code and, he was convinced, lose his job – an ugly prospect for anyone, let alone a 42­year­old man with a wife and several children. The next day, Vandivier phoned Lawson and told him he was ready to begin on the qualification report.

Lawson shot over to Vandivier’s office with all the speed of one who knows that, swallowed fast, a bitter pill doesn’t taste so bad. Before they started on the report, though, Vandivier, still uneasy with his decision, asked Lawson if he fully understood what they were about to do.

‘Yeah,’ Lawson said acidly, ‘we’re going to screw LTV. And speaking of screwing,’ he continued, ‘I know now how a whore feels, because that’s exactly what I’ve become, an engineering whore. I’ve sold myself. It’s all I can do to look at myself in the mirror when I shave. I make me sick.’

For someone like Vandivier, who had written dozens of them, the qualification report was a snap. It took about a month, during which time the brake failed still another final qualification test, and the two men talked almost exclusively about the enormity of what they were doing. In the Nuremberg trials they found a historical analogy to their own complicity and culpability in the A7D affair. More than once, Lawson opined that the brakes were downright dangerous, that anything could happen during the flight tests. His opinion proved prophetic.

When the report was finished, copies were sent to the Air Force and LTV. Within a week test flights were begun at Edwards Air Force Base in California. Goodrich dispatched Lawson to Edwards as its representative, but he wasn’t there long. Several ‘unusual incidents’ brought the flight tests literally to a screeching halt. Lawson returned to the Troy plant, full of talk about several near crashes caused by brake trouble during landings. That was enough to send Vandivier to his attorney, to whom he told the whole sorry tale.

Although the attorney didn’t think Vandivier was guilty of fraud, he was convinced that the analyst/writer was guilty of participating in a conspiracy to defraud. Vandivier’s only hope, the attorney counselled, was to make a clean breast of the matter to the FBI. Vandivier did. At this point both he and Lawson decided to resign from Goodrich. In his letter of resignation, addressed to Russell Line, Vandivier cited the A7D report and stated: ‘As you are aware, this report contains numerous deliberate and wilful misrepresentations which … expose both myself and others to criminal charges of conspiracy to defraud.’

Vandivier was soon summoned to the office of Bud Sunderman, who berated him mercilessly. Among other things, Sunderman accused Vandivier of making irresponsible charges and of arch disloyalty. It would be best, said Sunderman, if Vandivier cleared out immediately. Within minutes, Vandivier had cleaned out his desk and left the plant.

Two days later Goodrich announced it was recalling the qualification report and replacing the old brake with a new five­disk brake at no cost to LTV.

Aftermath

● A year later, a congressional committee reviewed the A7D affair. Vandivier and Lawson testified as government witnesses, together with Air Force officers and a General Accounting Office team. All testified that the brake was dangerous.

● Robert Sink, representing the Troy plant, depicted Vandivier as a mere high school graduate with no technical training, who preferred to follow his own lights rather than organisational guidance. R.G. Jeter, vice president and general counsel of Goodrich, dismissed as ludicrous even the possibility that some thirty engineers at the Troy plant would stand idly by and see reports changed and falsified.

● The congressional committee adjourned after four hours with no real conclusion. The following day the Department of Defense, citing the A7D episode, made major changes in its inspection, testing and reporting procedures.

● The A7D eventually went into service with the Goodrich­made five­disk brake.

● Searle Lawson went to work as an engineer for LTV assigned to the A7D project.

● Russell Line was promoted to production superintendent.

● Robert Sink moved up into Line’s old job.

● Kermit Vandivier became a newspaper reporter for the Daily News in Troy, Ohio.

Discussion questions

1 Identify the main characters in this case, and explain what happened.

Students should provide a summary of the case, identifying all the stakeholders.

2 To what extent did Lawson, Vandivier and Gretzinger consider the relevant moral issues before deciding to participate in the fraud? What was their reasoning? What would you have done if you were in their situation?

Students should discuss Lawson, Vandivier and Gretzinger’s concerns about the brakes. All considered the likelihood of harm but let others bully them into submission. Refer to sections about groupthink, diffusion of responsibility and ethical relativism for possible reasoning. Also, standing up to their bosses would have resulted in harm (being sacked, demoted or otherwise penalised) and they let this cloud their moral judgement.

3 How did Sink and Line look at the matter? How would you evaluate their conduct?

Sink appeared to be more concerned with his reputation as an effective supervisor and with the production efficiency rather than with the probable consequences for third parties. He seemed to be concerned with getting the job done, no matter the cost to others.

Line appeared to bury his head in the sand. Again, refer to section on diffusion of responsibility as a possible explanation for his acting the way he did. Given the risk of serious and/or fatal injuries by using the defective brake disks, it would be impossible to defend their actions from a moral standpoint.

4 Do you think Vandivier was wrong to work up the qualification report? Explain the moral principle or principles that underlie your judgement.

Vandivier’s actions were wrong. The report was untruthful and designed to defraud LTV. Students could discuss a number of moral principles, e.g. we should not lie, we should not act in a way that is likely to harm others.

5 Was Vandivier right to ‘blow the whistle’? Was he morally required to so? Again, explain the moral principles on which your judgement is based.

Students could argue that Vandivier owed loyalty to his employer; others might argue that loyalty should only go so far, and that he had a duty to a third party. Since he tried to correct the problem by appealing to his supervisors, and these appeals fell on deaf ears, many would argue that he was justified in blowing the whistle.

6 Describe the different pressures to conform in this case and discuss the relevance of the concepts of groupthink and diffusion of responsibility. Do any of these factors excuse the conduct of particular individuals in this case? If so, who and why?

Students may have different views about whether the protagonists’ actions can be defended/excused/justified. Some ethicists argue that where there is a danger to ourselves, we cannot be expected to perform supererogatory actions. Others disagree, and argue that nothing should outweigh the demands of morality (see Chapter 11).

7 Should Goodrich be held morally responsible as a company for the A7D affair, or just the individuals involved?

Students may hold opposing views. Some may argue that a company has many of the same rights as a human being, so should be bound by the same responsibilities; others counter by arguing that a company is not a real person and cannot be held accountable in the same way that a human can, and that a company is made up of individuals and it is the individuals who are responsible for decisions. Those who believe that the company should be held responsible may argue that the individuals work as agents of the company and therefore, the company should be responsible for its agents’ decisions and actions.

8 What might Goodrich have done, and what steps should it take in the future, to ensure more moral behaviour?

Ethical leadership, an explicit commitment to ethical behaviour, staff training, realistic goals etc.

Additional resources

Further reading

* ‘Letter from Birmingham Jail’ by Martin Luther King, Jr
* ‘Is business bluffing ethical?’ by Albert Carr
* *The Adventures of Huckleberry Finn* by Mark Twain

Film resources

* *Enron: The Smartest Guys in the Room*, 2005
* *Inside Job*, 2010

Useful weblinks

Validity and Soundness

**Description:** This website explains what constitutes a valid and a sound argument.

**Location:** <http://www.iep.utm.edu/val-snd/>

‘Metaethics’ in the Stanford Encyclopedia of Philosophy

**Description:** This website provides a definition of metaethics, and contains a discussion of some of the history of moral thinking.

**Location:** <http://plato.stanford.edu/entries/metaethics/>

The Association to Advance Collegiate Schools of Business

**Description:** This website contains many useful resources for students of business, including various publications and articles.

**Location:** <http://www.aacsb.edu/>

Aristotle (384-322 BCE): General Introduction

**Description:** This resource is a biography of Aristotle. Refer to section 7 of this page for a review of Aristotelian ethics.

**Location:** <http://www.iep.utm.edu/aristotl/#H2>

The Divine Command Theory of Ethics

**Description:** This website is a resource which discusses ’divine command theory’.

**Location:** <http://www.philosophyofreligion.info/christian-ethics/divine-command-theory/>

The Golden Rule in World Religions

**Description:** This website discusses ‘the Golden Rule’ in world religion.

**Location:** <http://www.teachingvalues.com/goldenrule.html>

MapMaker Interactive – National Geographic Education

**Description:** This site features an interactive map to which students can add filters. In particular, under the ‘Human Systems – Population and Culture’ tab there is an option to view major religions. This may help students to visually represent the diverse religions in the immediate Asia Pacific region.

**Location:** <http://education.nationalgeographic.com/education/mapping/interactive-map/?ar_a=1>

Transparency International – The global coalition against corruption

**Description:** This is the website of Transparency International, an organisation that indexes the corruption and transparency of a variety of countries and sectors. See the in-chapter case study of the Australian Wheat Board for further information on Australia’s index rating.

**Location:** <http://www.transparency.org/>

Moral Compass – Is Australia a kind nation?

**Description:** This article discusses the following questions: What is the basis of morality? Is it grounded in secular community and tradition, or in the spirituality of the religions? Is self-interest fundamentally opposed to morality?

**Location:** <http://theconversation.com/moral-compass-is-australia-a-kind-nation-9744>

Australia’s Moral Decline

**Description:** This article explores some apparent contradictions between espoused Australian values and Australian discourse. It explores some issues of ethical relativism and utilitarianism. Are there similar examples in the discourses of other nations?

**Location:** <http://mwcnews.net/focus/analysis/11841-australias-moral-decline.html>