

The Leadership Challenge: Making Ethical Decisions

The following notes relate to the PowerPoint presentation of the same name which is available from the Slideshare website at:

<http://www.slideshare.net/DavidPardey/the-leadership-challenge-making-ethical-decisions>

What is an ethical decision?

Ethical decisions involve:

- Questions about what *should be done*
- The *rightness or wrongness* of a course of action
- Making *moral judgements* about someone's behaviour, an event or a possible course of action

This raises questions about how you decide what is right and what is wrong, using your own ethical position and values

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SLIDE 2

'Ethics is a branch of philosophy that attempts to understand the nature of morality (which is why it is sometimes called moral philosophy) – in other words, it tries to distinguish what is right from what is wrong. Ethics is a very large and challenging area to explore, so we will confine ourselves to some core ethical issues that all leaders need to consider, such as 'What do we mean by right (as in *do the right thing*)?' and 'What do I do when my idea about what is right conflicts with yours?'

You may well ask why this is only relevant to leaders – shouldn't we all try to do the right

thing, and don't we all get faced with conflicts between what we believe is right and what others believe? Yes, of course we do, but leaders are different. Their role requires that they make decisions about what to do that others follow – they set the direction in which people go. When a leader says 'This is right' it means that other people are living with that judgement (and must broadly agree with it, or they would choose not to follow). That's why leaders must be very clear about their personal standards of morality, so that they know where to draw the line:

- to give them certainty in making decisions
- to avoid inconsistency, so that others will have confidence in them
- to reduce their own doubts and improve their confidence.'

Excerpt From Chapter 4, *Introducing Leadership 2nd edition*

SLIDE 3

Principled Conscience (virtue ethics) derives from having a developed moral compass which drives us, a personal understanding of right and wrong. Originally developed as a model of ethical behaviour by Aristotle and drawn on by Thomas Aquinas in developing his philosophy, always behaving 'virtuously' can present problems when conflicts occur between what we consider the right thing to do and our loyalty to others or what the law requires. In practice, behaving with principled conscience at all times tends only to happen in personal, close relationships.

Making ethical judgements

Three ethical positions:

1. Principled Conscience (*virtue ethics*):
 - Do the right thing (ignore the consequences)
2. Social conscience (*utilitarian*):
 - Achieve the right outcomes (the ends justify the means)
3. Rule compliance (*obligations, rights and duties*):
 - Obey the rules (not your role to question others' judgment about what is right)

Which of these appeals most to you?

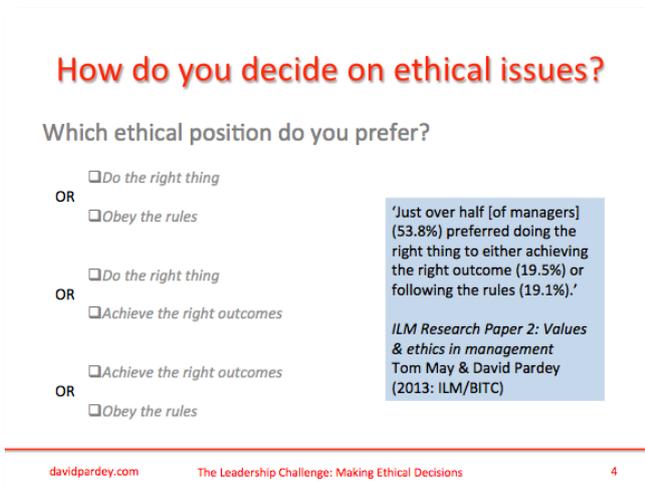
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Social Conscience is *utilitarian* and *teleological* - it focuses on the impact on society and places the greater good over the individual or minority. However, this can disadvantage the minority and justifies actions which the Principled Conscience position would reject. Roger Steare (in his book *Ethicability: How to decide what's right and find the courage to do it* (3rd edition): 2009, published by Roger Steare Consulting Limited) argues that Corporate Social Responsibility reflects the Social Conscience perspective - it concentrates on the impact of actions rather than the right thing to do. Social Conscience (as its name implies) is seen mostly in work and neighbourhood relationships, where we are concerned with the effect that our actions have on others.

Rule Compliance is the third approach to ethics and is described as *deontological*, a focus on obligations, rights and duties. Kant believed that such obligations were mandatory in all circumstances (eg to always tell the truth), irrespective of the outcomes. John Rawls modified this to a theory of justice based on fairness rather than Kant's categorical imperative. Unfortunately, this philosophy encourages a proliferation of rules and removes moral responsibility. Colin Mayer (of the Saïd Business School, Oxford) argues in his book *Firm Commitment: Why the corporation is failing us and how to restore trust in it* (2014: Oxford University Press) that the behaviour of bankers that led to the crash of 2008 was due, at least in part, to their abandonment of personal moral culpability because of the rule-bound nature of the industry. Almost by definition, if something wasn't forbidden it was assumed to be allowed, and so increasingly complex instruments were created with no sense of moral duty to tell buyers about the risks associated with them, as the rules did not require them to. Nevertheless, a Rule Compliance is still the most dominant ethical position in business and remote transactions, where the personal commitments that both Principled and Social Conscience encourage tend to be missing.



How do you decide on ethical issues?

Which ethical position do you prefer?

Do the right thing
OR
 Obey the rules

Do the right thing
OR
 Achieve the right outcomes

Achieve the right outcomes
OR
 Obey the rules

'Just over half [of managers] (53.8%) preferred doing the right thing to either achieving the right outcome (19.5%) or following the rules (19.1%).'

ILM Research Paper 2: Values & ethics in management
Tom May & David Pardey
(2013: ILM/BITC)

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SLIDE 4

This slide enables individuals to determine their personal preference for each ethical position - people aren't constrained to only one, but have a hierarchy of ethical positions. Each of the three is presented in a pair with the other two and by choosing between each pair (called a forced choice rank ordering) they can determine which is their most preferred and which their least preferred ethical position. If used with a group, the numbers choosing each option can be counted and this used to create a group ranking. The box on the slide shows the results when this

was done in the research project (*Added Values: The importance of ethical leadership*) undertaken by the Institute of Leadership & Management (ILM) and Business in the Community, (BITC) in 2013.

No one ethical stance is inherently better than another, but most people tend towards 'doing the right thing' as a preferred choice, as in the survey. While just over half of all respondents prioritised doing the right thing directors were significantly more likely than managers to prioritise achieving the right outcome and less likely to follow the rules. Managers followed the opposite pattern and were significantly more likely to prioritise following the rules than achieving the right outcome.' From *ILM Research Paper 2: Values & ethics in management* Tom May & David Pardey (2013: ILM/BITC)

The ILM/BITC research is available from <https://www.i-l-m.com/About-ILM/Research-programme/Research-reports/Added-Values>. This web page contains both the main report (*Added Values*) and

the more detailed *Technical Report* which is cited on the slide. Both reports are a useful additional source of information about the practical application of ethics in leadership.

SLIDE 5

Ethics, morals, values - what is the difference? Ethics is the term for the branch of philosophy that is concerned with 'rightness and wrongness', both as abstract concepts and as how they shape our thinking and behaviour. 'Morality' is a more commonly used way of describing that same thinking and behaviour, although some people see it negatively, as being about constraining people from pleasure or encouraging conformity. This is to ignore that nearly everyone has some sort of moral code (set of moral values) to guide them. Values are the set of guidelines that we use to determine how we judge rightness and wrongness. So our morality (or ethical framework) is made up of a set of values that determine how we make ethical/moral judgements.

These values are the result of our upbringing, passed on by our parents, family and the people we associate with in our early days. This socialisation is a naturally occurring process through which we learn how such judgements are made. As we grow we learn about the different values of others and adopt some of them; we also see how decisions we make, based on our values, affect others, and this experience may reinforce or develop them.

Ethical decisions draw on your moral values

What determines your personal value system?

- ❑ Your upbringing (*early socialisation*) – values passed on by your family and the people you associate with.
- ❑ Your learning, both formal and informal, from all sources
- ❑ Your experience – the decisions you make, their effect on you and others, and the consequences of making them

SLIDE 6

Values in conflict

Different people have different values – through discussion it is possible to explore what these are and attempt to reconcile them.

It's not always to reconcile different values, especially if they are underpinned by conflicting belief systems (both religious and non-religious).

Organisations also have values; similar conflicts can occur, between the values of the organisation and those of employees.

Nearly every society shares a common value, called the Golden Rule - treat other people the way you would expect them to treat you, but other values differ, so it can be hard for people from different societies to understand some value-based decisions, where values differ because of differing underlying belief systems. These differences reflect those societies' development over centuries and their religious traditions.

Similarly, different organisations also have values; these may be explicit (in 'values statements' or implicit (everyone knows what is expected of them}). Many (if not most) larger companies have values statements; the ILM/

BITC research mentioned previously found that the more that employees were involved in their development, the more effective they were in guiding behaviour.

[If you are interested in how different cultures apply different values in their decision-making, it is worth reading the book *Did the Pedestrian Die? Insights from the Greatest Culture Guru* by Fons Trompenaars (2003: Capstone)]

SLIDE 7

This slide offers five different statements, in turn:

- A. You learn that a junior member of staff using the photocopier to copy material for use by a local charity, without permission
- B. You learn that a colleague claiming mileage for a trip when you have a strong suspicion they were given a lift by someone else who is also claiming expenses
- C. A colleague tells you she has decided not to report a minor infringement of regulations that apply because 'The last time it was reported the regulator decided to take no action'
- D. You learn that a more senior colleague accepting an invitation from a major supplier to a prestigious sporting event in Paris, with travel and accommodation paid for, and not declaring it as required by the organisation's anti-bribery and corruption rules
- E. You hear a member of the organisation's senior management telling one of their reports to make a fairly significant purchase from a market-leading supplier, where their spouse is in a senior position, without going out to tender

Making ethical decisions is hard!

You catch a junior member of staff using the photocopier to copy material for use by a local charity, without permission. You have a strong suspicion they were given a lift by someone else who is also claiming expenses.

Recommendation: you do not declare it as required by the organisation's anti-bribery and corruption rules

- The choices of action open to you
1. Do nothing
 2. Warn them that what they are doing is wrong and not to repeat it
 3. Warn them that what they are doing is wrong and they should rectify the situation urgently
 4. Report the incident to a responsible person or compliance officer

For each statement, people should consider which of four actions they will take:

1. Do nothing
2. Warn them that what they are doing is wrong and not to repeat it
3. Warn them that what they are doing is wrong and they should rectify the situation urgently
4. Report the incident to a responsible person or compliance officer

Emphasise that this is a forced choice question - there are no other options available for them to consider.

SLIDE 8

But people still make ethical decisions

- A Photocopying
- B Travel expenses
- C Regulatory infringement
- D Sporting invitation
- E Purchase without tender

	A	B	C	D	E
Do nothing	26.9%	3.4%	3.3%	6.2%	4.5%
Warn them not to repeat it	55.3%	18.3%	15.0%	5.2%	3.3%
Warn them to rectify the situation urgently	15.2%	55.1%	49.0%	33.2%	23.9%
Report the incident	3.0%	23.2%	32.6%	55.4%	68.2%

Results are from the 2013 ILM/BITC research report *Values and ethics in management*

Having made their decision on each of the options (A-E), this next slide shows the results from the Added Values research. It highlights how we make ethical judgements about how right or (in this case) wrong someone's behaviour has been.

Before showing this slide, a show of hands for each option will provide a useful comparator; experience of doing this with various groups suggests that most tend to follow the same pattern as the ILM/BITC research revealed.

SLIDE 9

This slide provides further background information; ask people to consider how this contextual information might cause them to change their decision. A useful discussion can happen here, about the way that we make judgements about individual events based on our previous experiences, our perceptions of people and even, whether we like them or not.

One important factor here is the *affect heuristic*; affect simply means how much we like or dislike something and an heuristic is a rule of thumb, a shortcut we use to make decisions. So, if we like someone or something, we will judge them differently from someone/thing we dislike. There is more about this in the works of Amos Tversky and Daniel Kahneman (the latter wrote the best-selling *Thinking Fast and Slow* about their work) and there is a particularly valuable paper by Melissa Finucane *et al* in the Journal of Behavioral Decision Making, available online at http://www.anderson.ucla.edu/faculty/keith.chen/negot.%20papers/FinAlhSlovicJohn_AffectHeur00.pdf). Affect is an emotional reaction to events; whereas ethical decision-making is usually presented as being an essentially cognitive process, where we weight decisions based on our values, there is evidence that many decisions are affected by our feelings as well, which the next slides illustrate.

Context can make ethical decisions harder!

- ❑ What if the junior making photocopies is very lazy, always avoiding work, comes in late and leaves early?
- ❑ What if the person you suspect of cheating on a mileage claim has just had a marriage breakdown and is known to be very hard up?
- ❑ What if you are all are working long hours and struggling to get work done, and any investigation by the regulator would make things worse?
- ❑ What if the person who went to Paris has had a personal bereavement and been very depressed recently?
- ❑ What if you know that the chosen supplier offers the best products and has given a very considerable discount, making them almost impossible to beat if it had gone to tender?

The Trolley Bus Challenge

A thought experiment in applied ethics!

- ❑ What is the right thing to do?
- ❑ What produces the right outcome?
- ❑ What do the rules (law) say?



SLIDE 10

The Trolley Bus Challenge is a 'thought experiment' in philosophy. This means that it is set up with a number of constraints, limiting the options available to make people make decisions, in this case, decisions which affect the life and death of others.

The problem was first proposed by British philosopher Philippa Foot in 1967; she specialised in the study of virtue ethics, as first propounded by Aristotle, and this problem asks people to consider what they should do in a situation which challenges ideas about what doing the right thing means.

It's worth reminding people of the three ethical positions; as well as *virtue ethics* ('do the right thing'), it's possible to take a *consequentialist* view ('achieve the right outcome') or to ask what *rule compliance* would require (there is probably a sign telling the public not to touch the lever that changes the points).

NB: The title of this thought experiment is one that has been used since it was first propounded, but most people would probably call the trolley bus a tram as it runs on rails. Don't get led astray by that issue!

SLIDES 11 & 12

The conditions for the through experiment are spelled out in turn:

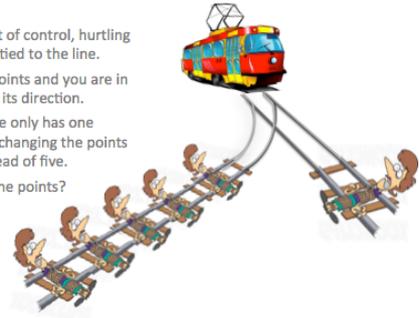
1. The trolley bus is out of control, hurtling towards five people tied to the line.
2. It will pass a set of points and you are in a position to change its direction.
3. The other branch line only has one person tied to it. By changing the points you will kill one instead of five.
4. Would you change the points?

The effect of not doing so is then shown on the next click, as the trolley runs over the five people and then, on the next click (which brings up Slide 12, which automatically sets the trolley bus off), the effect of changing the points is shown as it runs over just one!

This is another forced choice question; people must make a decision. Ask how many would change the points, pointing out that not doing so means five people will die, so by not choosing to change the points, they condemn all five (this stops people avoiding making a decision - by not making a decision to change the points they choose not to change them!).

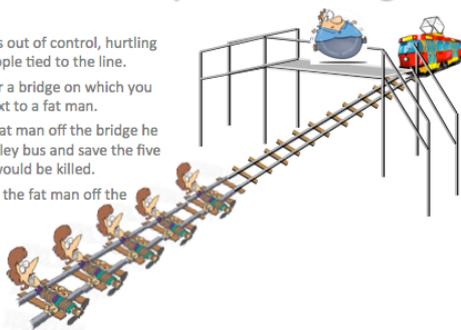
The first trolley bus challenge

1. The trolley bus is out of control, hurtling towards five people tied to the line.
2. It will pass a set of points and you are in a position to change its direction.
3. The other branch line only has one person tied to it. By changing the points you will kill one instead of five.
4. Would you change the points?



The second trolley bus challenge

1. The trolley bus is out of control, hurtling towards five people tied to the line.
2. It will pass under a bridge on which you are standing, next to a fat man.
3. If you push the fat man off the bridge he will stop the trolley bus and save the five people, but he would be killed.
4. Would you push the fat man off the bridge?



SLIDE 13

This slide changes the scenario; you are now on a bridge and you can see the trolley bus hurtling down a straight line towards five people. Next to you is a fat man, fat enough that, if you push him off the bridge (assume that the rail is low or broken, so it is easy to do) he will stop the train. Again, it's important to emphasise that this is a thought experiment, an artificial scenario, in which you can know the effects of your actions with certainty. Ask people if they would push the fat man off the bridge, knowing that his death will save five

people. Doing nothing condemns the five.

SLIDE 14

From an ethical point of view this second scenario is identical to the first - would you sacrifice one person to save five people. However, people will find it much harder to do, and it is likely that far fewer will choose the push the fat man off the bridge. This variant was proposed by American moral philosopher Judith Jarvis Thomson, and raises important questions about what is called *agency* - the degree to which we are involved in the action that causes a particular effect. In this case,

What's the difference?

- Your action kills one to save five
- Ethically, the decisions are equal
- fMRI scans have shown that moral decisions excite different parts of the brain:
 - > The switch points option is processed mainly by the higher cognitive function; it's a non-conflict scenario and is dealt with as an intellectual exercise, balancing the better outcomes.
 - > The fat man option excites the emotional response parts of the brain when the decision involves conflict (pushing him off the bridge)

actively pushing a living person off the bridge as opposed to pulling a level to change points.

Subsequent work by Joshua Greene at Harvard University has used fMRI scanners to see how people price the information and make decisions when faced with these two dilemmas. The first is largely resolved in the higher cognitive areas, treated as a rational problem to be solved by balancing one life against five in the context of the individual's value system. The second problem tends to cause the area around the amygdala to be excited as well; this is the 'emotional core' of the brain, and it shapes our cognition, as it how we feel affects how we think. Touching the person, pushing him off the bridge is much more involving and this causes a strong feeling of aversion, which is why far fewer people choose to push him, compared to changing the points. Now is a good time to ask the question:

Which of these scenarios is more like that facing a CEO of a major multinational choosing to make 10% of the workforce redundant, and which one is like a first line manager choosing which two people in his twenty-strong team to make redundant?

These are the sort of ethical dilemmas that leaders are faced with and what seems like a much harder decision (making hundreds or thousands of people redundant) may, in reality, be much easier to make than that of the person choosing two people that he or she knows personally.

The Leadership Challenge

- Recognise when a decision involves an ethical choice – what is the right thing (or least worse) thing to do?
- Recognise the different ethical positions and which you are using, to understand how you make the decision.
- Be aware that not all ethical decisions may be resolved through rational analysis (the switch points option) but may also be affected by an emotional reaction to the situation, depending on the level of physical involvement (the fat man scenario).

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SLIDE 15

Brings the presentation to a close by focussing on the issues addressed by it. First of all, know when you are making ethical decisions. Be aware of the three ethical positions and use that knowledge in making your decisions, to understand your choice. Finally, be aware that, no matter how much you try, if you are emotionally affected by the situation, this will affect how you make your decision. Knowing this may not change what you decide, but you will know why you made it.

SLIDE 16

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See over the page for technical details about the slideshow.

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As you will see, the slide progresses generally by clicking the mouse, controller or keyboard. In some cases this causes text to be replaced (see Slide 7) or causes movement of images (Slides 11, 12 and 13). The one exception is the final slide - once you click for the slide to appear, the text appears automatically.

I am not a philosopher; everything in this slideshow is based on my reading of other people's work, much of which is acknowledged in this document. It's factual accuracy is down to the ability of those authors to communicate their ideas; any errors are my own. The one exception is the Added Values research which I was responsible for when I was head of research at the ILM, working with my colleague Tom May. The two research reports are readily available on the ILM website and I do recommend them.

David Pardey

July 2016