



Lead Teams

Handout 4

Resolving Ethical Dilemmas

Definition of an Ethical Dilemma

Perhaps too often, business ethics is portrayed as a matter of resolving conflicts in which one option appears to be the clear choice. For example, case studies are often presented in which an employee is faced with whether or not to lie, steal, cheat, abuse another, break terms of a contract, etc. However, ethical dilemmas faced by managers are often more real-to-life and highly complex with no clear guidelines, whether in law or often in religion.

Doug Wallace, Twin Cities-based consultant, explains that one knows when they have a significant ethical conflict when there is presence of a) significant value conflicts among differing interests, b) real alternatives that are equally justifiable, and c) significant consequences on "stakeholders" in the situation.

An ethical dilemma exists when one is faced with having to make a choice among these alternatives.

Real-to-Life Examples of Complex Ethical Dilemmas

- "A customer (or client) asked for a product (or service) from us today. After telling him our price, he said he couldn't afford it. I know he could get it cheaper from a competitor. Should I tell him about the competitor, or let him go without getting what he needs? What should I do?"
- "Our company prides itself on its merit-based pay system. One of my employees has done a tremendous job all year, so he deserves strong recognition. However, he's already paid at the top of the salary range for his job grade and our company has too many people in the grade above him, so we can't promote him. What should I do?"
- "Our company prides itself on its affirmative action measures. One African candidate fully fits the job requirements for our open position. However, we're concerned that our customers won't understand his limited command of the English language. What should I do?"
- "My top software designer suddenly refused to use our e-mail system. He explained to me that, as a Christian, he could not use a product built by a company that provided benefits to the partners of homosexual employees. He'd basically cut himself off from our team, creating a major obstacle to our product development. What should I do?"
- "My boss told me that one of my employees is among several others to be laid off soon, and that I'm not to tell my employee yet or he might tell the whole organization which

would soon be in an uproar. Meanwhile, I heard from my employee that he plans to buy braces for his daughter and a new carpet for his house. What should I do?"

- "My computer operator told me he'd noticed several personal letters printed from a computer that I was responsible to manage. While we had no specific policies then against personal use of company facilities, I was concerned. I approached the letter writer to discuss the situation. She told me she'd written the letters on her own time to practice using our word processor. What should I do?"
- "A fellow employee told me that he plans to quit the company in two months and start a new job which has been guaranteed to him. Meanwhile, my boss told me that he wasn't going to give me a new opportunity in our company because he was going to give it to my fellow employee now. What should I do?"

Methods to Resolve Ethical Dilemmas

Organizations should develop and document a procedure for dealing with ethical dilemmas as they arise. Ideally, ethical dilemmas should be resolved by a group within the organization, e.g., an ethics committee comprised of top leaders/managers and/or members of the board. Consider having staff members on the committee, as well. The following three methods can be used to address ethical dilemmas. Methods include an ethical checklist, a ten-step method and a list of key questions. (Note that The Golden Rule is probably the most common method to resolve ethical dilemmas. The rule exists in various forms in many of the world religions.)

Method One - Ethical Checklist

Twin Cities-based consultants, Doug Wallace and Jon Pekel, suggest the following ethical checklist to address ethical dilemmas. If necessary, revise your decision and action plan based on results of this test.

Ethical Checklist	Circle the appropriate answer on the scale; "1" = not at all; "5" = totally yes					
1.	Relevant Information Test. Have I/we obtained as much information as possible to make an informed decision and action plan for this situation?	1	2	3	4	5
2.	Involvement Test. Have I/we involved all who have a right to have input and/or to be involved in making this decision and action plan?	1	2	3	4	5
3.	Consequential Test. Have I/we anticipated and attempted to accommodate for the consequences of this decision and action plan on any who are significantly affected by it?	1	2	3	4	5
4.	Fairness Test. If I/we were assigned to take the place of any one of the stakeholders in this situation, would I/we perceive this decision and action plan to be essentially fair, given all of the circumstances?	1	2	3	4	5
5.	Enduring Values Test. Does this decision and action plan uphold my/our priority enduring values that are relevant to this situation?	1	2	3	4	5
6.	Universality Test. Would I/we want this decision and action plan to become a universal law applicable to all similar situation, even to myself/ourselves?	1	2	3	4	5
7.	Light-of-Day Test. How would I/we feel and be regarded by others (working associates, family, etc.) if the details of this decision and action plan were disclosed for all to know?	1	2	3	4	5
8.	Total Ethical Analysis Confidence Score. Place the total of all circled numbers here.					

How confident can you be that you have done a good job of ethical analysis?	
7-14	Not very confident
15-21	Somewhat confident
22-28	Quite confident
29-35	Very confident

Method Two - Ten-Step Method of Decision Making

Wallace and Pekel also provide the following ten-step method.

STEPS	NOTES		
1. What are the known FACTS in the situation?			
2. Who are the key STAKEHOLDERS, what do they value and what are their desired outcomes?			
3. What are the UNDERLYING DRIVERS causing the situation?			
4. In priority order what ethical principles or operating values do you think should be upheld in this situation?			
5. Who should have input to, or be involved in, making this decision?			
6. List any alternative and action plans that would: a) prevent or minimize harm to stakeholders b) uphold the priority values for this situation c) be a good solution to the situation	Alternative 1	Alternative 2	Alternative 3
7. Build a WORSE-CASE SCENARIO for your preferred alternative to see how it affects the stakeholders. Rethink and revise your preferred alternative if necessary.			

8. Add a PREVENTATIVE ETHICS component to your action plan that deals with the underlying drivers causing the situation listed in Step 3.	
9. Evaluate your chosen decision and action plan against the checklist on the reverse side.	
10. Decide and build an action plan and implement and monitor it.	

Method Three - Twelve Questions to Address Ethical Dilemmas

Laura L. Nash poses 12 questions to help managers address ethical dilemmas.

1. Have you defined the problem accurately?
2. How would you define the problem if you stood on the other side of the fence?
3. How did this situation occur in the first place?
4. To whom and to what do you give your loyalty as a person and as a member of the
5. What is your intention in making this decision?
6. How does this intention compare with the probable results?
7. Whom could your decision or action injure?
8. Can you discuss the problem with the affected parties before you make your decision?
9. Are you confident that your position will be as valid over a long period of time as it seem now?
10. Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, society as a whole?
11. What is the symbolic potential of your action if understood? Misunderstood?
12. Under what conditions would you allow exceptions to your stand?

(Adapted from: Nash, L. (1981). Ethics without the Sermon. Harvard Business Review, (59))