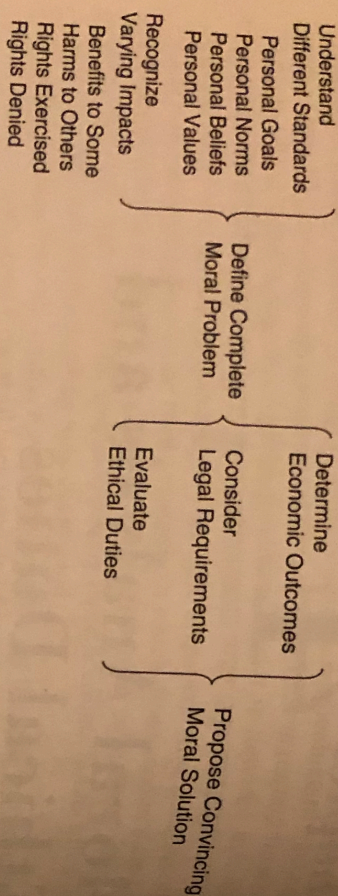


FIGURE 4.1 Analytical Process for the Resolution of Moral Problems



duties, which will be the subject of this chapter, let us briefly review the advantages and disadvantages of the first two, and the sources of their impartiality, to illustrate the need for the third:

1. *Economic outcomes*, based upon impartial market choices: The rule here is that managers should always use the least wanted and, therefore, the lowest cost resources owned by members of society to produce the most wanted and, therefore, the highest price products sought by members of society because this will automatically result in the greatest financial profits for the stockholders of the firm and the greatest material satisfactions for the members of society. But, there are both practical and theoretical problems with this approach: the most telling theoretical problem is that this “optimal benefits for all” outcome will occur only if (a) all input factor and output product markets are truly competitive, (b) all suppliers and all customers within those markets are fully informed, and (c) all external costs outside those markets are totally included. It certainly helps to know the economic outcomes that come from a given decision or action, but we need something more to ensure that competition, require that information, and compel that inclusion. That “something more” consists of the legal requirements of the law, based upon participative social and political processes.
2. *Legal requirements*, based upon participative social and political processes. *Belief here is* that managers should always obey the law, despite personal disagreement with some provisions of that law, because law can be said to represent the collective moral standards of the members of our society. Each member has a set of goals, norms, beliefs, and values that are primarily derived from his or her religious and cultural traditions and his or her economic and social situations. Combined, these goals, norms, beliefs, and values form his or her intuitive moral standards of behavior. These moral standards of citizens are aggregated into the legal requirements of society through social and political processes that move from informal groups to formal organizations to governmental institutions. Again, there are both practical and theoretical problems with this approach. The most critical practical problem is that it is difficult to write legal requirements with the precision and completeness that will cover all current and future moral problems that may come before a court. The most telling theoretical one is that most legal requirements do not combine the standards

derived from all cultural and religious traditions and all economic and social situations evenly; some are excluded. It certainly helps to know the legal requirements that apply to a given decision or action, but once again something more is needed. The “something more” in this instance are the ethical duties based upon universal principles.

Ethical duties based upon universal principles, and the application of those duties and principles in moral analysis, is the topic of this chapter. What are ethical duties? Let us be very clear here. They are duties *you believe you owe* to other people based upon *your* rational thought processes. No one can tell you what you ethically owe to others. You have to decide on your own. But, there are some universal principles that can help you to decide, and that you can then use to logically convince others to support your proposed solution to a given moral problem.

What are universal principles? They are rules for decisions or actions that are (1) not limited to any particular cultural or religious tradition or any specific economic or social situation, (2) are thought to lead to the overall well-being and general satisfaction of the full society, and (3) have an easily understood rationale why the application of this universal principle will lead to that beneficial result. Let me give an example. This universal principle is from Aristotle, a well-known Greek philosopher who lived 382 to 324 BC. The rule he proposed was that to ensure an overall benefit to society, a person should be open, honest, truthful, and proud of what he or she did. Why should this mix of personal characteristics ensure benefits to society? Aristotle’s reasoning was that Greek society at this time was composed of groups of citizens who varied in their types of activities and that the cooperation and coordination of those groups was necessary to form a productive whole. If the members of each group knew what the members of other groups were doing, with no intentional evasion or concealment, then everyone could work together to achieve the benefits of unity. Why was pride important? This was the critical element of the rationale: If members of one group were proud of what they were doing or planned to do, they would be certain to inform others, probably even boast to others.

As an illustration of the use of this universal principle, let us go back once again to the first case in this book, the one where health care insurance companies were paying the health care consulting firms who were advising small companies and public organizations on the selection of the “best” health care policies for their employees. Those health care policies were complex and lengthy documents, and it was difficult for managers at the small companies and public organizations to tell which policy would provide the best coverage and care for any given group of employees with different health care needs. When this practice of “pay to play” first became known, the executives at the health care insurance companies and the representatives of the health care consulting firms—both those who made the payments and those who received the payments—quickly made the standard proclamation: “We have done nothing wrong.” But, according to Aristotle’s universal principle of personal virtue they certainly had. If the payers and payees of those often substantial amounts were truly proud of what they were doing, they would be open, honest, and truthful about the practice, informing everyone they knew, and they would have been so proud that they would want to see this practice broadly reported in both local and national newspapers.