

Quick Review 4**Kinds of Ethical Issues**

- Systemic—ethical questions about the social, political, legal, or economic systems within which companies operate
- Corporate—ethical questions about a particular corporation and its policies, culture, climate, impact, or actions
- Individual—ethical questions about a particular individual's decisions, behavior, or character

It is helpful when analyzing the ethical issues raised by a concrete situation or case to sort out the issues in terms of whether they are *systemic*, *corporate*, or *individual* issues. Often, the world presents us with decisions that involve a large number of extremely complicated interrelated kinds of issues that can cause confusion, unless the different kinds of issues are first carefully sorted out and distinguished from each other. Moreover, the kinds of solutions that are appropriate for dealing with systemic or corporate issues are not the same as the kinds of solutions that are appropriate for dealing with individual issues. If a company is trying to deal with a systemic issue—such as a government culture that permits bribery—then the issue must be dealt with on a systemic level; that is, it must be dealt with through the coordinated actions of many different social groups. On the other hand, corporate ethical issues can be solved only through corporate or company solutions. If a company has a culture that encourages moral wrongdoing, for example, then changing that culture requires the cooperation of the many different people that make up the company. Finally, individual ethical issues need to be solved through individual decisions and actions, and, perhaps, individual reform.

→ So what happened after Searle Lawson and Kermit Vandivier turned in their report and the U.S. Air Force put the Goodrich brakes on planes flown by their test pilots? Lawson was sent as Goodrich's representative to Edwards Air Force Base in California where the test flights took place. There, he watched as the brakes caused several near crashes when the pilots tried to land the planes. In one case, he saw an airplane go skidding down the runway when the pilot's braking produced such intense heat inside the brake that its parts fused together and the wheels locked up. Surprisingly, none of the pilots were killed. When Lawson returned home, both he and Vandivier quit and notified the F.B.I. of what had been going on; this was their way of dealing with the *individual* issues their actions had raised. A few days later, Goodrich announced that it was replacing the small brake with a larger five-disk brake at no extra charge to the U.S. government, and in this way they tried to deal with the *corporate* issues the brake incident had created. About a year later, Lawson and Vandivier came before the U.S. Congress and testified about their experiences at Goodrich. Shortly thereafter, the U.S. Department of Defense changed the way it let companies test equipment so that it became harder for companies to submit fraudulent reports. These changes were responses to a key *systemic* issue that became obvious once the truth came out.

Applying Ethical Concepts to Corporations

The statement that business ethics applies ethical or moral concepts to corporate organizations raises a puzzling issue. Can we really say that the acts of *organizations* are moral or immoral in the same way that the actions of *human individuals* are? Can we say that corporations are morally responsible for their acts in the same sense that individuals are morally responsible for what they do? Or must we say that it makes no sense to apply moral terms to organizations as a whole, but only to the individuals who make up the organization? A few years ago, for example, employees of Arthur Andersen, an accounting firm, were caught shredding documents potentially proving that Arthur Andersen accountants had helped Enron hide its debt through the use of several accounting tricks. The U.S. Justice Department then charged the now-defunct *firm* of Arthur Andersen with obstruction of justice, instead of charging the *employees* who shredded the documents. Critics afterward claimed that the U.S. Justice Department should have charged the individual employees of Arthur Andersen, not the company, because "Companies don't commit crimes, people do."²⁴ Can moral notions like *responsibility*, *wrongdoing*, and *obligation* be applied to groups such as corporations, or are individuals the only real moral agents?